

James McLoughlin

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Education

Ph.D. Business Administration (Finance), Haas School of Business, U.C. Berkeley, 2012 (Expected)

M.S. Financial Engineering, Haas School of Business, U.C. Berkeley, 2004

B.S. Systems Engineering, University of Virginia, 1997 *with High Distinction*

Research Interests

Asset Pricing, Market Microstructure, Delegated Portfolio Management

Working Papers

Why trade with Goldman? (*Job Market Paper*)

Using a model of repeated trade between a long-lived, informed, price-discriminating market maker and risk averse traders with endogenous hedging demands, I first show that traders are weakly better off trading with an informed dealer, as they may learn something about an asset's value in the process of transacting. Second, while long-term incentives can induce an informed market maker to honestly reveal information and increase risk-sharing, they also enable the market maker to hide her information and extract more rents, reducing price informativeness. This less desirable outcome dominates with respect to both the parameter space and a selection criterion. Finally, measures of market quality, such as the transient component of price volatility (illiquidity), may not accurately reflect welfare.

How does asymmetric information affect trading costs in a non-anonymous market? (*Work in progress*)

When counter-parties trade in OTC markets, such as those for corporate bonds or derivatives, the lack of anonymity implies that future terms of trade can influence prices today. Using a model of repeated trade between an informed trader and uninformed market makers, I show that information asymmetry can affect the markups charged by dealers in two ways. First, for a given market structure (number of market makers), traders with more private information incur lower trading costs because dealers offer better terms to mitigate adverse selection. Second, because more competition improves the informed trader's outside option, information asymmetry limits the viable number of dealers in a market. These opposing effects imply that the comparative statics of transaction costs only make sense conditional on market structure. While large (global) increases in information asymmetry reduce competition and increase trading costs, small (local) increases give the trader more market power and reduce her costs.

Honors, Awards, and Fellowships

Earl F. Cheit Outstanding GSI Award (Haas weekend M.B.A. program), Spring 2011

Outstanding GSI Award (campus wide award at UC Berkeley), Fall 2008

Dean Witter Foundation Fellowship, 2006 - 2010

Tau Beta Pi Engineering Honor Society, University of Virginia

Intermediate Honors, University of Virginia, 1995

Dean's List, University of Virginia

Teaching Experience

(as Graduate Student Instructor / Teaching Assistant)

Derivative Pricing: Quantitative Methods (MFE 230D), Domingo Tavella, Summer 2007-2011

Introduction to Finance (EW MBA 203), Dmitry Livdan, Spring 2008-2011

Introduction to Finance (UGBA 103), Marcus Opp, Fall 2008-2010

Introduction to Finance (UGBA 103), Jonathan Berk, Fall 2007

Professional Experience

Quantal Asset Management

Berkeley, CA

Portfolio Manager

April 2004 – May 2006

Co-managed three quantitative long-short equity funds; Researched new investment strategies; Marketed QAM's products to potential investors.

Wmind, LLC

Stamford, CT

Consultant, Software Engineer

April 2001 – March 2003

Transitioned proof-of-concept financial technology to a production-quality trading system.

Webmind, Inc.

New York, NY

Senior Software Engineer, Project Manager

July 1998 – April 2001

Managed software teams implementing the firm's machine learning technology and applications.

References

Christine Parlour (Chair)

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Dmitry Livdan

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