

# JULIO A. CREGO

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## EDUCATION

PhD in Economics, [CEMFI](#), Spain.

Committee: [Dante Amengual](#), [Rafael Repullo](#), [Enrique Sentana](#).

Expected completion date: June 2017.

Visiting Student, [S. C. Johnson Graduate School of Management \(Cornell\)](#), Fall 2015.

Sponsor: [Maureen O'Hara](#).

Courses: Market Microstructure by [Maureen O'Hara](#).

Visiting Student, [Swiss Finance Institute](#) (Lugano), March 2015.

Sponsor: [Patrick Gagliardini](#).

Courses: Market Microstructure by [Thierry Foucault](#) and [Albert Menkveld](#).

M.Sc. in Economics and Finance, [CEMFI](#), 2013.

B.A. in Business Administration, [Universidad Carlos III de Madrid](#), 2011.

## FIELDS OF INTEREST

Market Microstructure, Financial Accounting, Asset Pricing, Econometrics.

## WORKING PAPERS

### [“Does Public News Decrease Information Asymmetries?”](#) **Job Market Paper**

*Presented at CUNEF, EAA Talent Workshop 2016, 2016 European Winter Meeting (scheduled), XLI Simposio of the Spanish Economic Association (scheduled).*

I argue that the arrival of a public signal, regardless of its content, can yield an increase in adverse selection costs in financial markets. To explain its occurrence, I propose a dynamic model with a public signal and risk-averse informed investors. In this set-up, the public signal induces informed investors to participate in the market as it reduces uncertainty. While it increases adverse selection costs, the increase in participation results in more informative prices. Apart from the static effects, the model's dynamics deliver testable hypotheses about price and liquidity before and after the signal's release. Using transaction-level data, I estimate the effect of the release of the Weekly Petroleum Status Report on the bid-ask spread, volume, and midpoint returns via a difference-in-difference strategy. I find that the mean bid-ask spread doubles immediately after the release and that volume increases by 32 percent. Moreover, this effect persists over time, and is independent of the report's content whereas prices react to this information immediately. Nevertheless, liquidity at the end of the trading session is not affected by the report.

### [“Short Selling Ban and Intraday Dynamics”](#)

*Presented at XXI Finance Forum (Segovia).*

Since September 2008 regulators from different countries, motivated by suspicions regarding an increase in investors aggressiveness, have implemented several temporary short selling restrictions. In this paper, I study the effect of such policies in the context of the 2012 Spanish short selling ban. The results of this paper highlight an important policy trade-off: on the one hand, I provide evidence that, in line with regulator beliefs, investor aggressiveness

is extremely high prior to the ban and, it reverts just after the ban implementation. On the other hand, using a novel identification strategy, I find that this policy increases the bid-ask spread. The causal interpretation of these results is obtained under the assumption that the exact time of the implementation is random. Specifically, using intraday data, I apply a methodology inspired in a regression discontinuity design in the time dimension. While the results obtained using this methodology are qualitatively similar to the ones found in previous literature, the quantitative effect is much smaller.

“Hedge funds and asset markets: tail or two-state dependence?”, with [Julio Gálvez](#).

*Presented at XXII Finance Forum (Zaragoza), XXXIX Simposio of the Spanish Economic Association (Mallorca), Swiss Financial Institute (Lugano), 8th Nordic Econometric Meeting (Helsinki), London School of Economics.*

We reconcile opposing evidence found in previous literature about the tail neutrality of market-neutral hedge funds (MNHF) using US data from 2003 to 2013. In particular, we estimate a regime-switching copula model to show the existence of a common macroeconomic regime that affects the distributions of both MNHF returns and the market index; this, in turn, creates a non-linear dependence, which can be confounded with tail dependence. Moreover, we provide evidence of positive (negative) linear correlation between the market index and MNHF during bull (bear) periods that coincide with the US business cycle. We show with simulated data from our model that sample tail-based tests do not reject the tail dependence hypothesis, even if the tail dependence parameter is set to zero.

## WORK IN PROGRESS

“Right Time or Right Action: A Theory of Waiting for Information Leakage”, with [Jin Huang](#).

*Awarded the Sabadell Inves Grant by the Banc Sabadell Foundation.  
Presented at Madrid Microeconomics Graduate Workshop.*

We analyze the behavior of opening prices in stock markets. Empirical evidence using data from the NYSE and the Madrid Stock Exchange shows that the current day’s opening price tends to revert to the previous day’s close when they are sufficiently far away. This evidence suggests that prices are predictable, thereby challenging the efficient markets hypothesis. To reconcile this fact with agents’ rational expectations, we propose a model where informed traders are heterogeneous in the quality of their private signals about fundamental value. The model suggests that when the gap between the opening price and the closing price (which proxies for investors’ prior beliefs about the market) is large, traders with low quality private information tend to delay actions and infer information from realized trades. It also provides some testable predictions that are supported by the data. In particular, we document serial dependence between trades and prices in the short run, and we also find that the wider the gap between the opening and closing prices, the slower it takes for the opening price to revert.

“Speed Competition and Liquidity”

*Presented at XXIV Finance Forum (Madrid).*

In the last decade hundreds of millions of dollars have been invested in reducing the communication time between the CME and NYSE. While some investors argue that the fastest the markets, the more efficient is the price; others claim that differences in speed erode liquidity through an increase in asymmetric information. I estimate the causal effect of one of these technologies, Microwave beams, on liquidity. I identify the causal effect using rain as an exogenous instrument under two mild assumptions: rain along the path between Chicago and New York does not affect liquidity and, microwave signals are attenuated by rain.

#### OTHER PUBLICATIONS

“The effect on prices of share dealing by directors”, with C. Aparicio.  
*CNMV bulletin*, 2Q2013, pp 47-62

#### TEACHING EXPERIENCE

Teaching Assistant to [Enrique Sentana](#): [Time Series](#), Cemfi, 2016.  
Teaching Assistant to [Manuel Arellano](#): [Econometrics](#), Cemfi, 2015.  
Teaching Assistant to [Enrique Sentana](#): [Asset Pricing II](#), Cemfi, 2013 and 2014.

#### REFEREE EXPERIENCE

International Journal of Central Banking.

#### PROFESSIONAL EXPERIENCE

Research assistant at the CNMV, Spain: June 2012 – September 2012.  
Accounting internship at EINSA, Spain: June 2010 – July 2010.  
Accounting internship at Gio legal services, London: June 2009 – July 2009.

#### OTHER INFORMATION

Languages: Spanish (native), English (Fluent), French (Fluent).  
Computer Programs: Matlab, Octave, Stata, Eviews, Gretl, Fortran.  
Spanish citizenship.

#### REFERENCES

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