

University of California, Santa Cruz
Economics Department

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JIA-YUH (JAY) CHEN

Curriculum Vitae
Fall 2009

Personal Information:

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Business Address
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Major Fields of Concentration:

International finance, finance, and macroeconomics

Job Market Paper:

Title: *What Carries the Carry Trade?*

Dissertation committee: Prof. Yin-Wong Cheung (Chair), Prof. Michael Dooley, Prof. Michael Hutchison, and Prof. Kenneth Kletzer

Job Market Paper Abstract:

The yen/dollar exchange rate and the credit spread are found to be co-integrated. We link the relationship to the carry trade and its eventful unwinding by doing the threshold co-integration estimation and cross-currency comparisons. To provide a structural explanation for the connection, we build a partial equilibrium model based on the leverage cycle theory. Collateral capacity of the foreign currency is adjusted to balance the pricing difference between the foreign currency suppliers and buyers. Exchange rate movements are therefore connected to the credit spread through the cyclical collateral adjustment channel. We thus illustrate that the leverage cycle is one possible source of the time-varying risk premium for holding foreign currencies.

Education:

Ph.D. in International Economics, University of California, Santa Cruz, 2010 (expected)
M.B.A. in Finance, University of California, Irvine, 2003
B.S. in Chemical Engineering, National Taiwan University, Taipei, Taiwan, 1996

References:

Prof. Yin-Wong Cheung, Economics Dept., UCSC, (831) 459-4247, cheung@ucsc.edu
Prof. Michael Dooley, Economics Dept., UCSC, (831) 459-3662, mpd@ucsc.edu
Prof. Michael Hutchison, Economics Dept., UCSC, (831) 459-2600, hutch@ucsc.edu
Prof. Kenneth Kletzer, Economics Dept., UCSC, (831) 459-3407, kkletzer@ucsc.edu
Prof. Phillip McCalman, Economics Dept., UCSC, (831) 459-4381, mccalman@ucsc.edu

Honors and Awards:

Campus-Wide Teaching Assistant Award, UCSC, 2009
The Milam-McGinty-Kaun Graduate Teaching Award, UCSC, 2008
Merit-Based Tuition Fellowship, UCSC, 2006~2009
Doctoral Student Sabbatical Fellowship, UCSC, 2009
GSM Kennedy MBA Fellowship, UC Irvine, 2001
ROC Army Honor, 1998

Teaching Experience:

Instructor, Securities Markets and Financial Institutions, UCSC, summer 2009 (enrollment: 39, evaluation: 4.67/5.0)
Instructor, Economics of E-Commerce, UCSC, spring 2009 (enrollment: 145, evaluation: 3.9/5.0)
Instructor, Securities Markets and Financial Institutions, UCSC, summer 2008 (enrollment: 34, evaluation: 4.48/5.0)
Instructor, Managerial Economics, UCSC, summer 2008 (enrollment: 27, evaluation: 4.6/5.0)
Teaching assistant, various classes (intermediate micro and macro, introductory econometrics, introductory macro, natural resources, managerial economics, securities markets, and business strategy), UCSC, 2005~2009

Research Experience and Other Employment:

Research assistant to Prof. Carlos Dobkin, UCSC, summer 2007
Founder and investment adviser, Irvine Contrarian Partners Inc., Irvine, California, 2003~2005
Assistant manager, YangMing Marine Transport Corp, Keelung, Taiwan, 1998~2001
Second Lieutenant, Chemical Base Service, ROC Army, Taichung, Taiwan, 1996~1998

Conference Participation:

Ph.D. Conference, University of California, Santa Cruz, May 2009
Brown Bag Seminar, University of California, Santa Cruz, October 2009
Midwest Finance Association Conference, Las Vegas, NV, February 2010 (submitted)

Referee Service:

International Economic Journal

Publication:

Cheng, Kwon-Wei, Jia-Yuh Chen, Muoi Tang, and Yan-Ping Chen. 1997. Vapor-liquid equilibria of binary mixtures cyclopentane + isopropyl acetate, isopropyl acetate + hexane, and cyclopentane + methyl methacrylate at 101.3 kPa. *Journal of Chemical Engineering Data* 42: 754-7.

Working Papers:

Flight to Safety with Your Carry Trade Profits: A Carry Trade Strategy

Abstract:

We construct a carry trade speculation strategy that has a higher Sharpe ratio than investing in the U.S. equity market. The carry trade (borrowing in low-interest currencies and simultaneously lending in high-interest ones) is characterized with occasional dramatic appreciations of the funding, low-interest currencies. Unwinding positions before the detrimental appreciations can lead to a lucrative improvement over an already-skewed speculation. We base our strategy on exchange rate trading signals extracted from a Vector Error Correction Model (VECM) in which the exchange rate and the credit spread are co-integrated. Augmented with volatility variables, our model offers greatly improved unwinding signals that translate into an even better reward-to-risk ratio. The superiority of our strategy is robust across many freely floating currencies.

Information or the Carry Trade: the Case of Currency Futures

Abstract:

We show evidence that a public dataset in the currency futures market also contain order flow features. Private information possessed by the speculators drives the exchange rate variations. We further provide evidence that the carry traders, who speculate by borrowing in low-interest currencies and lending in high-yielding ones, may be the speculators in question. We thus connect three different literatures-the microstructure, information content in speculators' positions, and the forward premium puzzle-with the carry trade explanation.

Certifications and Skills:

Certification: passed CFA Level II exam, FINRA Series 65

Language: Taiwanese (native), Chinese (native), and English (fluent)

Programming: MatLab and Stata

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