Yucheng Zhou **February 5, 2026**

CONTACT INFORMATION

Finance Department
Gies School of Business
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EDUCATION

University of Illinois at Urbana-Champaign

Ph.D. candidate, Finance — 2027 (Expected)

M.S., Finance (with honor) — 2019

Jilin University, China

B.A., Economics — 2018

RESEARCH INTERESTS

Macro-Finance, Asset Pricing, Monetary Policy

REFERENCES

Heitor Almeida (Co-chair)
Professor of Finance
Gies School of Business, University of Illinois at Urbana-Champaign
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Victor Duarte (Co-chair)
Assistant Professor of Finance
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WORKING PAPERS

A Macro-Finance Model of Capital Reallocation and Misallocation
Job Market Paper

This paper develops a general equilibrium model with heterogeneous investors facing financial frictions to study capital allocation and misallocation. While firms with different risk exposures respond optimally to sectoral shocks, the limited borrowing capacity of risk-tolerant intermediaries impedes efficient capital reallocation across sectors, which renders the misallocation persistent following transitory shocks. Together with the balance sheet channel of intermediaries, capital misallocation acts as another source of systematic risk that investors share among each other. The two channels operate through a feedback loop: negative sectoral shocks decrease the wealth of intermediaries and set the stage for misallocation by elevating risk premia and volatility. The resulting binding financial frictions lead to misallocation, lower aggregate productivity and asset prices, thus further deteriorating intermediaries' balance sheets and capital reallocation. The model shows that the 'flight-to-safety' motive can endogenously create economic instability under frictions.

The Equity Constraint Channel of Monetary Policy *SSRN*

(with Heitor Almeida, Timothy Johnson, Sebastiao Oliveira)

Selected Presentation: WFA 2025, MFA 2025, SFA 2024, FMA 2024

We use a measure of financial constraint that distinguishes between a company's emphasis on equity versus debt financing to show that equity-focused constrained firms endure larger declines in stock prices and implement deeper cuts in investments when faced with contractionary monetary policy shocks. Equity-focused constrained firms reduce equity issuance and are more reluctant to run down cash holdings in response to tighter monetary policy. Contractionary shocks reduce investor demand for the equity of constrained firms, increasing their cost of capital. Our findings suggest that equity frictions are the main determinant of the transmission of monetary policy to the corporate sector.

Beliefs Heterogeneity and the Equity Term Structure *SSRN*

(with Hamilton Galindo Gil)

Selected Presentation: SFS Cavalcade 2025

What is the role of belief heterogeneity in shaping the equity term structure? We address this question by developing a general equilibrium model featuring habit formation in consumption and heterogeneity in both risk aversion and beliefs about the expected growth rate of the aggregate endowment. We demonstrate that the effects of belief heterogeneity are countercyclical: they increase equity yields during recessions and reduce them during expansions. These effects are more pronounced for short-term assets than for long-term ones. We then examine the role of diagnostic beliefs and show that the overreaction parameter raises equity yields across maturities, with particularly strong effects on short-term maturities during expansions. Overall, our findings highlight the significant influence of belief heterogeneity in shaping the equity term structure.

Pricing Risks in Tangible and Intangible Capital: Implications from a Two-Sector Economy

(solo)

This paper develops a two-sector GE model in continuous time, where the sectors are subject to aggregate risk of different forms, representing two forms of capital. Tangible capital is exposed to permanent shocks that alter capital quality, while intangible capital is exposed to mean-reverting productivity shocks. When the economy is not intangible-intensive, investment of tangible-sector and aggregate growth show inverted U-shape in productivity. The price of productivity risk switches signs depending on the state of the economy and becomes negative when productivity is high. Rebalancing force is at play too: investment of tangible-sector displays U-shape in intangible-intensity of the economy.

Huggett Meets Epstein-Zin in Continuous Time *SSRN*

(with Hamilton Galindo Gil, Ji Huang)

We extend the Huggett model to consider recursive preferences in continuous time. We then analyze the role of relative risk aversion (RRA) and elasticity of intertemporal substitution (EIS) in determining the equilibrium interest rate and the stationary wealth and consumption distributions. We show that EIS plays a crucial role in shaping wealth and consumption distribution at the aggregate and agent-type levels, while RRA plays a marginal role. Additionally, EIS has strong effects on interest rate

and leverage compared to RRA. Our model is characterized by wealth and income heterogeneity among agents, incomplete markets, and a quantitative separation between RRA and EIS, providing a baseline framework for macro-finance models.

Work In Progress

The Other Half: Monetary Policy Transmission for Households without Mortgages with Viraj Chordiya, Divij Kohli, Justin Mohr

Endogenous Duration and Monetary Policy with Heitor Almeida, Timothy Johnson, Sebastiao Oliveira

Seminars & Conferences

2025
AFA Ph.D. Poster; MFA*; SFS Cavalcade*; WFA; Baylor University*; University of Maryland*;

2024
SWFA; FMA Applied Finance; FMA Asia; University of São Paulo*; FMA; SFA*; UIUC; SED Winter (withdrawn);

2022
UIUC;
(*): co-author presentation

Service

Referee
Journal of Empirical Finance, Quarterly Review of Economics and Finance, Journal of Corporate Finance

Discussion
Li, Kogan, and Qiao, *"Asset Growth Effect and Q Theory of Investment"*

Menze, Beckmann, Beckmeyer, Zhou, and Filippou, *"Unusual Financial Communication: ChatGPT, Earnings Calls and Financial Markets"*

Teaching

Teaching Assistant, Empirical Analysis in Finance (Ph.D., 2024, 2025)	UIUC
Instructor, Heterogeneous Agent in Asset Pricing Summer School (2025)	CSU
Teaching Assistant, Corporate Finance (Undergraduate, 2022-2023)	UIUC
Teaching Assistant, Personal Wealth Management (Undergraduate, 2019)	UIUC
Teaching Assistant, FinTech (Graduate, 2019)	UIUC

Honors and Awards

Richard A. Erley Fellowship	2025
AFA Ph.D. Travel Grant	2025
UIUC Graduate College Conference Travel Grant	2024
Joseph E. Zwisler and Ouida Wald Zwisler Summer Doctoral Fellowship	2023
Greg Gulick Honorary Research Award	2021
Department of Finance Doctoral Fellowship	2020-2025
Jilin University Fellowship	2017

Additional

Heterogeneous Agent in Asset Pricing Summer School (Participant)	2024

	UIUC Finance Ph.D. Reading Group (Co-organizer)	2022-2024
	Econometric Society Summer School (Participant)	2023
	CEMFI Macroeconomics Summer School(Participant)	2023
	Macro Finance Society Summer School (Participant)	2021-2023
	Demand System Asset Pricing Workshop (Participant)	2022
	Mitsui Center Summer School on Structural Estimation (Participant)	2021

LANGUAGES English, Mandarin, R, Python, julia, LaTeX, STATA, MATLAB