Jakob Ahm Sørensen

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Contact

Copenhagen Business School
Solbjerg Plads 3, D4.17
2000 Frederiksberg, Denmark

E-mail: jso.fi@cbs.dk
Phone: (+45) 42 72 89 92
Website: sites.google.com/view/jakob-ahm-sorensen

Education

Copenhagen Business School

Ph.D. in Finance at the Center for Financial Frictions, Department of Finance, 2016-2022 (expected)
Advisor: Lasse Heje Pedersen

M.Sc. in Business Administration & Management Science (Mathematics and Economics), 2014-2016

B.Sc. in Business Administration & Management Science (Mathematics and Economics), 2010-2013

Harvard University

Visiting Fellow at Harvard University, Department of Economics and visiting doctoral student at the Behavioral Finance & Financial Stability Project at Harvard Business School, 2018-2019

University of Chicago

M.Sc. in Financial Mathematics, 2013-2014

References

Professor Lasse Heje Pedersen
Copenhagen Business School
lhp.fi@cbs.dk
+45 38 15 39 02

Professor Robin Greenwood
Harvard Business School
rgreenwood@hbs.edu
+1 617 495 6979

Professor Andrei Shleifer
Harvard University
ashleifer@harvard.edu
+1 617 495 5046

Research Interests

Empirical Asset Pricing and Financial Intermediation

Honors & Awards

Fonnesbech Ph.D. Award 2020: *"extraordinary research which is estimated to be on an international top level"*

Statsautoriseret Revisor Gunner V. Holms Legat 2017: *For highest GPA of CBS' class of 2016*

PRMIA Risk Management Challenge 2014: *Regional Champion*

Fulbright Scholar 2013

Publications

1. Predictable Financial Crises (2021) with Robin Greenwood, Sam Hanson, and Andrei Shleifer
   The Journal of Finance (forthcoming)
   Featured in: VoxEU.org, What happens next?, Børsen, Rig På Viden *(Danish Podcast)*

Using historical data on post-war financial crises around the world, we show that crises are substantially predictable. The combination of rapid credit and asset price growth over the prior three years, whether in the nonfinancial business or the household sector, is associated with about a 40% probability of entering a financial crisis within the next three years. This compares with a roughly 7% probability in normal times, when neither credit nor asset price growth has been elevated. Our evidence cuts against the view that financial crises are unpredictable "bolts from the sky" and points toward the Kindleberger-Minsky view that crises are the byproduct of predictable, boom-bust credit cycles. The predictability we document favors macro-financial policies that "lean against the wind" of credit market booms.

Working Papers

2. Risk Neglect in the Corporate Bond Market (2021) **[Job Market Paper]**

I present an equilibrium model for valuing corporate bonds and stocks to distinguish investors' rational risk aversion from extrapolative expectations. Motivated by the model, I construct a novel empirical measure of credit market sentiment, denoted yield-for-risk (YFR_t), which measures the compensation investors require for credit risk in the cross-section of corporate bonds. I find evidence of extrapolative expectations in the form of risk neglect: Low YFR_t predicts low returns to credit and an inversion of the risk-return relationship among both corporate bonds and stocks. Firms exploit this effect by increasing their debt issuance when YFR_t is low, especially high-risk firms.

3. Asset Driven Insurance Pricing (2021) with Benjamin Knox

We develop a theory that connects insurance premiums, insurance companies' investment behavior, and equilibrium asset prices. Consistent with the model's key predictions, we show empirically that (1) insurers with more stable insurance funding take more investment risk and, therefore, earn higher average investment returns; (2) insurance premiums are lower when expected investment returns are higher, both in the cross section of insurance companies and in the time series. We show our results hold for both life insurance companies and, using a novel approach, for property and casualty insurance companies. Consistent findings across different regulatory frameworks helps identify asset-driven insurance pricing while controlling for alternative explanations.

Work in Progress

4. Trading-at-Settlement with Søren Bundgaard Brøgger

Service

Referee: The Quarterly Journal of Economics, The American Economic Review: Insights

Student representative for the 2010-2013 class in the study board for the Business Administration & Management Science program at Copenhagen Business School

Teaching Experience

Lecturer at Copenhagen Business School

    Corporate Finance, 2020-2021

Teaching Assistant at Copenhagen Business School

    Corporate Finance, 2019

    Capital Market Theory, 2016-2018

    Numerical Analysis and Computer Science, 2014-2017

    Statistics, 2015

Other Work Experience

Center for Financial Frictions (FRIC), Copenhagen Business School

    Research Assistant, 2014-2016

Danske Bank

    Student analyst in Risk Analytics, working with the development and maintenance of credit risk models for various segments across Danske Bank's portfolio, 2011-2013