RESEARCH SEMINAR

UTA Department of Finance and Real Estate
COLLEGE OF BUSINESS

Alex Zhou is the James M. Collins Chair in Finance and a Professor of Finance at the Cox School of Business. His research focuses on financial intermediation and market microstructure, with an emphasis on fixed income markets. His work has been published in top academic journals, including the Journal of Financial Economics, Review of Financial Studies, and Management Science, and has been featured by the Wall Street Journal, Financial Times, Forbes, Bloomberg, and CNN. Before joining SMU, Alex served as a principal economist at the Federal Reserve Board of Governors. He earned his Ph.D. from Cornell University in 2008.

PROGRAM

Thursday, November 13, 2025
10:15 AM - 12:00 PM
COBA 609

Title: **The Growing Index Effect in the Corporate Bond Market**

Abstract:
The rapid growth of investment funds in the corporate bond market has led to a substantial rise in index-driven trading. Leveraging data on actual transactions and high-frequency, minute-by minute bond price estimates generated by machine learning algorithms, we show that this shift has fundamentally reshaped trading dynamics and liquidity conditions. Whereas bond trading was historically distributed relatively evenly throughout the day, it has now become increasingly concentrated around specific time points, particularly index closing times. Exploiting the Bloomberg Index's closing time change on January 14, 2021, we identify the causal impact of index tracking on trading activity and liquidity. Liquidity improves at index closing time but deteriorates during the rest of the day, resulting in a net gain in overall liquidity. However, during periods of market stress, when trading becomes one-sided, the liquidity benefit of index-driven clustering diminishes or even reverses.

The Growing Index Effect in the Corporate Bond Market