

Press Release, Geneva, Switzerland, 13 November 2020

## **Research Paper “In Search of the Origins of Financial Fluctuations: The Inelastic Markets Hypothesis” wins Swiss Finance Institute Outstanding Paper Award 2020**

The Swiss Finance Institute has given its Outstanding Paper Award to “In Search of the Origins of Financial Fluctuations: The Inelastic Markets Hypothesis”, a research paper by Xavier Gabaix, Harvard University, and Ralph Koijen, The University of Chicago Booth School of Business, that analyzes the fluctuations of the aggregate stock market.

Geneva, 13 November 2020. The Swiss Finance Institute’s college of chairs has named Professor Xavier Gabaix, Harvard University, and Professor Ralph Koijen, The University of Chicago Booth School of Business, as winners of the Swiss Finance Institute (SFI) Outstanding Paper Award 2020. This prize distinguishes an unpublished research paper expected to make an outstanding contribution to the field of finance.

In their paper, the researchers find, both theoretically and empirically, that the aggregate stock market is surprisingly price-inelastic. They name this finding the “Inelastic Markets Hypothesis”. According to this hypothesis, flows either in or out of the stock market have a significant impact on both asset prices and risk premia. The researchers’ empirical analysis relies on a novel empirical methodology and on data largely unexplored in this context. An important takeaway from their research is that the demand elasticity of the stock market is a key parameter of interest in terms of asset pricing and macro-finance alike. If the “Inelastic Markets Hypothesis” proves to be more than a hypothesis, then many common views in finance will be either qualified or simply invalidated.

The winners of the SFI Outstanding Paper Award 2020 will be invited to present their research during the SFI Research Days in June 2020. The research paper can be accessed at [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3686935](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3686935).

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### **Swiss Finance Institute**

The Swiss Finance Institute (SFI) is a public–private partnership created in 2006 to keep the Swiss banking and finance industry at the top of its field. SFI is the national center for fundamental research, doctoral training, knowledge exchange, and continuing education in the fields of banking and finance. With support from its founders—the Swiss banking industry, the Swiss Confederation, and leading Swiss universities—SFI combines academic excellence with practical experience. For further information about Swiss Finance Institute, please visit [www.SwissFinanceInstitute.ch](http://www.SwissFinanceInstitute.ch).