

# Curriculum Vitae

## Francesca Rinaldi (April 2008)

Born in Rivoli (Turin) January, 26th 1981  
Citizenship: Italian

Collegio Carlo Alberto  
Via Real Collegio, 30  
10024 Moncalieri (TO), Italy

Phone 0039-340-6152-636  
E-mail: frarina@libero.it  
frinaldi@econ.unito.it  
Personal webpage : <http://www.carloalberto.org/people/rinaldi>

### Research Interests

Decision Theory (Ambiguity and Robustness), General Equilibrium Asset Pricing, Asset Pricing under Ambiguity

### Education

2007 Ph.D in Decisions in Insurance and Finance, University of Torino  
Ph.D. Supervisor: Prof. Massimo Marinacci  
Dissertation title: *Financial Markets under Ambiguity*  
2003 Laurea cum laude in Economics, University of Turin .

### Professional Activities

September 2008- Post-doc Fellow, Manchester Business School, c/o Accounting and Finance Group  
March 2008-Present Research Fellow c/o Dipartimento di Statistica e Matematica Applicate alle Scienze Umane "Diego De Castro", University of Turin (Ministero dell'Università e Ricerca)  
Nov.2006- Feb.2008 Research Fellow in "Ambiguity and Robustness" Dipartimento di Statistica e Matematica Applicate alle Scienze Umane "Diego De Castro", University of Turin and Torino Finanza

### Visiting Position

Oct.2007-Dec.2007 Marie Curie Fellow at Manchester Business School, c/o Accounting and Finance Group  
Sep.2004-Dec.2005 Visiting Scholar at Kellogg School of Management, c/o "Managerial Economics and Decision Sciences" Department

### Scholarships

Oct.2007-Dec.2007 Marie Curie Fellowship Manchester Business School c/o Accounting and Finance Group. Supervisor: Professor Massimo Guidolin  
Nov.2003-Nov.2006 Ph.D. Fellowship

### Working Papers

Job market paper:

*Endogenous incompleteness of financial markets: the role of ambiguity and ambiguity aversion.*

### Abstract:

Incompleteness of financial markets has widely been questioned in the literature, but traditional research has mainly been focused on the role of transaction costs and asymmetric information in determining such incompleteness. This paper, instead, focuses on agents' preferences, showing that the introduction of

ambiguity and ambiguity aversion induces investors to restrict their trading to a simpler set of assets, relative to which they are less likely to make errors.

We extend Mukerji and Tallon analysis on endogenous incompleteness of financial markets to the case of investors with variational preferences. After having studied some differential properties of the functional representation for variational preferences, we find that ambiguity and ambiguity aversion lead to a collapse in the trade of financial assets whose payoff is greatly affected by idiosyncratic risk. More specifically, what is crucial in determining the sufficient condition for endogenous incompleteness is not ambiguity per se, but the fact that the set of effective priors is multi-valued. Specifically, in the two agents economy, this is reflected through non-differentiability of the functional representation for preferences. In this simpler setting, we are able to show that two opposite tendencies are in act. From one side, risk aversion and the great variation of endowment across states tend to generate trade for insurance purposes. On the other side, the great variance of the idiosyncratic component lets the agents feel less confident about their probability assignment, and, therefore, it prevents trade.

Next, we focus on a simple portfolio choice problem, and we investigate the effects of ambiguity on trading when we allow for differentiability of the functional representation.

*The Monotone Capital Asset Pricing Model. An empirical analysis.*

*Does ambiguity explain the home bias puzzle?*

### **Presentations at Conferences**

June 2008 XVII European Workshop on General Equilibrium Theory

May 2008 Annual Economics and Finance PhD student conference Brunel University, London

### **Teaching Experience**

2006- Current Financial Mathematics (teaching assistance - undergraduate class)

2006- Current Mathematics for Economics (teaching assistance - undergraduate class)

### **Languages and Computer Skills**

Languages Italian (mother tongue)

English (good)

German (basic)

Software Gauss, Matlab, Eviews

### **References**

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| <p>Prof. Massimo Marinacci<br/>University of Torino and Collegio Carlo Alberto<br/>Via Real Collegio, 30<br/>10024 Moncalieri (To), Italy<br/>0039-011-670-5008<br/>massimo.marinacci@unito.it</p> | <p>Prof. Massimo Guidolin<br/>Manchester Business School Accounting &amp; Finance<br/>Group<br/>MBS Crawford House<br/>Booth Street East<br/>M13 9PL Manchester, United Kingdom<br/>0044-0161-306-6406<br/>Massimo.Guidolin@dom01.mbs.ac.uk</p> |
| <p>Prof. Paolo Ghirardato<br/>University of Torino and Collegio Carlo Alberto<br/>Via Real Collegio, 30<br/>10024 Moncalieri (To), Italy<br/>0039-011-670- 5220<br/>paolo.ghirardato@unito.it</p>  |   |