Valerie L. Baldinger

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Education

PhD in Finance, NYU Stern 09/2022 - present
Committee: Arpit Gupta (Chair), Toomas Laarits, Thomas Philippon, Indira Puri, Olivier Wang

MSc in Economics, London School of Economics 08/2018 - 06/2020
Graduated *with distinction*

BA in Econ., Philosophy & Pol. Sci., University of Zurich 08/2015 - 06/2018

Working Papers

"Generative AI and Retail Investment"
Job Market Paper

Generative AI is a general purpose technology with rapidly growing adoption among retail investors. How does the adoption of this technology change household investment decisions? I study the adoption of a generative AI–based conversational assistant by retail investors, using data that link investors' prompts and AI answers to transaction-level trade and portfolio holdings data. Using a staggered difference-in-differences design, I find that generative AI adoption increases investment in index funds relative to individual stocks by 7.6 percentage points. As a result, AI adoption reduces investors' return loss, which measures the expected return forgone due to underdiversification at a given level of risk, by 43 basis points on average, with substantial heterogeneity across investors. Less diversified portfolios improve the most, with return loss declining by 101 basis points.

"LLM Agents as Traders in Experimental Asset Markets"

A large literature is concerned with understanding why asset price bubbles form. The theoretical literature has proposed multiple mechanisms, including extrapolative beliefs, heterogeneous expectations, and speculation as possible explanations. I develop a methodology using LLM agents as traders in experimental asset markets to study why asset price bubbles form. The methodology exploits unique properties of LLM subjects to disentangle the contribution of mechanisms proposed in the literature: their memories can be selectively edited without awareness, their reasoning can be probed without contaminating subsequent behavior, and market conditions can be varied at scale. I find that LLM traders generate many of the same market phenomena observed with human subjects: price bubbles emerge and crash, experience reduces mispricing, and short selling attenuates overpricing. These results hold across variations in trading mechanisms and participant characteristics. LLM agents exhibit extrapolative beliefs, expecting rising prices to continue rising even above fundamental value. Their reported reasoning places greater weight on past price trends as those trends emerge, before shifting back toward fundamentals as the terminal period approaches. By homogenizing agents' forecasts while preserving extrapolation, I isolate the contribution of heterogeneous beliefs to bubble formation.

Work in Progress

"Lowering the Cost of Entry: Evidence from Firm AI Adoption in Procurement Auctions"
with Dean Parker

Generative AI, as a labor-augmenting technology, has the potential to raise productivity across a broad range of tasks, with implications for small firms' competitiveness. In this paper, we study whether the proliferation of generative AI has changed competition for government contracts. Bidding for these contracts involves labor-intensive document analysis and preparation, tasks for which generative AI is well suited and widely used. We assemble a dataset of state-level procurement contracts, bids, and award outcomes across industries and government departments. We find an upward level shift in bidding participation following the emergence of generative AI, particularly for smaller contracts. This is consistent with AI lowering analysis and bid-preparation costs, thus lowering the barrier to entry into procurement auctions. To examine this mechanism, we exploit cross-state variation in exposure to generative AI stemming from differences in the amount of documentation required to submit a bid. We also provide direct evidence on AI use in procurement auctions by using an AI detection tool on firms' bid documents. We examine which firms adopt AI, how AI use varies across contract types, and how it is associated with the likelihood of winning a contract.

Work in Progress (continued)

"Attention, Reasoning, and Investment Decisions"
with Martina Cuneo

Using novel data linking investors' prompts to an AI assistant with their portfolios, transactions, and returns, we study how investors' attention and reasoning vary with investment performance. Investors' responses to gains and losses are central to behavioral theories of financial markets, but the reasoning underlying these responses is not well understood. We find that investors focus more on their existing portfolios after poor returns and seek new investment opportunities after good returns. We extract investors' reasoning from their prompts and relate it to subsequent portfolio choices. We examine whether changes in investors' reasoning help explain time variation in risk-taking and demand for risky assets.

Work Experience

Senior Research Analyst, Federal Reserve Bank of New York 07/2021 - 09/2022

Junior Research Scientist, Department of Finance, NYU Stern 06/2020 - 06/2021

Research Assistant, Department of Economics, London Business School 05/2019 - 03/2020

Teaching Experience

NYU Stern

Instructor

Foundations of Finance, Undergraduate (Summer 2025) Average instructor rating: 5.00

Teaching Assistant

Foundations of Finance, Undergraduate (Spring 2025, Fall 2025) Instructor: Prof. Toomas Laarits
Finance Concepts and Math, MBA (Summer 2025) Instructor: Prof. Alexi Savov
Foundations of Finance, MBA (Summer 2025) Instructor: Prof. Alexi Savov

Presentations

NYU Stern Finance Seminar (2024, 2025, 2026)
Johns Hopkins Carey Finance Conference (2025)

Awards

Martin J. Gruber Best 2nd Year Paper Award, NYU Stern Finance (2024)
David M. Graifman Merit Award, NYU Stern Finance (2026)
Jules I. Bogen Fellowship, NYU Stern Finance (2026–2027)

Grants

Pangram Research Grant, $5,000
Google AI Research Grant, $1,000

Programming Languages

Python, Stata, MATLAB, LaTeX