Discussion of van der Beck, Bretscher, and Fu (2026)

“A Bound on Price Impact and Disagreement”

Discussant: Sangmin Simon Oh (Columbia Business School)

MFA Annual Meeting 2026

Advent of DSAP and Its Reception

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This Paper: A very powerful response to Critique #1

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- Price impact bound ≈ 0.75–1.25 for average U.S. stocks
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Plan for Discussion
1. Usefulness of Bounds for Asset Pricing
2. Naming and Measuring ρ

Comment 1. Usefulness of Bounds for Asset Pricing

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Martin Bound on the Equity Premium

Equity Premium ≥ Risk-neutral variance of the market return

- Useful: Provides a lower bound that's directly observable from option prices in real time
- Impact: Large literature on using option-implied moments to measure risk premia

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3. Uncovers Interesting Economics

- Investor agreement and price impact are jointly constrained by observables
  - They cannot be set independently in a model
- Elastic markets require near-perfect investor homogeneity, which is implausible
- High price volatility and low portfolio turnover are not separate empirical facts

How to Use the Bounds (1/2)

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But recall that there is other stuff between actual price impact and the bound:

$$\frac{\sigma_q^2}{\sigma_p^2} = \zeta_S^2 \left(\frac{1}{\rho} - 1 + \widehat{\text{Var}}_S^{cs} \left(\frac{\zeta_i}{\zeta_S} \right) - \boxed{2 \widehat{\text{Cov}}_S^{cs} \left[\frac{\zeta_i}{\zeta_S}, \beta_i^u \right]} \right).$$

Killed by Assumption 1

How to Use the Bounds (2/2)

Given how easy it is to compute bounds, it's tempting to use it as the point estimate.

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The gap between the actual price impact and the bound is dispersion in investor-level elasticities, adjusted for how elastic investors' demand shifts covary with the aggregate.

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- Different horizons
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Suggestion 1. Measure elasticity dispersion across stocks, horizons, and aggregation

- Are the settings where $\widetilde{M}$ is highest also settings where the gap is the widest?

Comment 2. Naming and Measuring ρ

What is ρ?

$$\mathcal{M} \geq \frac{\sigma_p}{\sigma_q} \times \sqrt{\frac{1}{\rho} - 1}. \qquad \rho = \frac{\operatorname{Var}\left(\hat{\mathbb{E}}^{cs}\left[u_{i,t} \mid t\right]\right)}{\hat{\mathbb{E}}^{cs}\left[\operatorname{Var}\left(u_{i,t} \mid i\right)\right]} \in [0,1]. \qquad \Delta q_{i,t} = -\zeta_i \Delta p_t + u_{i,t}$$

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2. **How should we measure this object?**
   - "Analyst forecast dispersion from I/B/E/S"
     - Drawback: Analysts != Investors
   - "Stock-level ρ implied by the KY framework"
     - Drawback: Demand curves may be mis-specified

ρ in models with heterogeneous agents

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Heterogeneous Income Risk (Constantinides and Duffie, 1996; Heaton and Lucas, 2000)

- Investors face idiosyncratic uninsurable income shocks that force portfolio adjustments unrelated to views about the stock

⋮

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In the end, the paper's main message should not depend on specific values of ρ.

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- **Good luck with the revision!**