

The Exchange

NEWS FROM THE FINANCIAL ECONOMICS INSTITUTE AT CLAREMONT MCKENNA COLLEGE

VOLUME 18, FALL 2014

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Directors' Report

by Joshua Rosett



Joshua Rosett

THE FEI BEGINS its second decade this year. By all measures the first decade was a great success. Starting with just three graduates receiving the Financial Economics Sequence certification in 2005, the annual numbers rapidly grew to near 30 per year. More recently the number of Sequence graduates has declined, but including those obtaining the BA/MA degree, overall interest in finance remains strong. Through Spring 2014, 174 CMC graduates earned the Sequence certification. Over the same period, the research experience for undergraduates working as Research Analysts in the FEI Computer Lab has been a key component of the Institute activities. Each semester since 2005 roughly 15-20 students have worked in the lab, and as of Spring 2014, 97 CMC graduates had experience as FEI RAs.

Starting the second decade, interest in the various aspects of FEI programming remains keen. Over the summer, eight students worked in the FEI Lab as RAs. This fall, 44 students attended the annual Information Session at the start of the school year, and 51 students applied to be RAs. Currently 17 students are working on projects with faculty, including one BMGI/Michael Larson Asset Management Fellow. Four students provide tutoring through the lab covering Bloomberg (by a second BMGI Fellow), Excel, Stata, and Python programming. In just a few weeks, we will depart with 15 CMC students (10 juniors and 5 sophomores) for the annual New York City Networking Trip jointly

sponsored by the FEI and the Robert Day School. The CMC Student Investment Fund continues its activities, and Professor Eric Hughson continues to guide them through his course (Econ 194A) which is now in its fourth year. Currently, 40 students across the four classes have expressed their intent to the Registrar's Office to complete the Financial Economics Sequence, including 13 seniors, 15 juniors, 9 sophomores, and 3 freshmen.

As reported by the previous Associate Director, Professor Hughson, in the Fall 2013 newsletter, the FEI and RDS boards were merged and various activities of the two organizations were folded together. Upon assuming the duties of FEI Director, I committed to the RDS Board to undertake a new strategic plan over the coming year, with the aim of focusing the Institute activities on areas of greatest impact. We do not expect to provide much detail on this before next fall, but already several changes are in process.

As part of the new regime, Brian Dennis, the Director of Administration and Programs in the Robert Day School, is working closely with me on program planning. We expect this change in

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FINANCIAL ECONOMICS
INSTITUTE

CLAREMONT MCKENNA COLLEGE

The Financial Economics Institute fosters education and research in financial economics by offering a unique undergraduate curricular program, the Financial Economics Sequence, supporting state-of-the-art databases, and encouraging student-faculty interaction on research.

2014-2015 BMGI/Michael Larson Asset Management Fellows

The BMGI/Michael Larson Asset Management Fellowship Program offers financial support and research experience for juniors and seniors at Claremont McKenna College who are interested in careers involving asset management and investment management. The recipients of this year's scholarships are:

Philip Crawford '15



Phil, a native of Northbrook, IL, is a senior at CMC pursuing a Bachelor's degree in Economics along with his Master's degree in Finance as a part of the Robert Day

School's four year BA/MA program. He is also a Robert Day Scholar. On campus, he is the CEO of the CMC Student Investment Fund and captain of the Claremont Cougars Men's Lacrosse Team. This past summer, Phil interned at Morgan Stanley in New York, where he will be returning full-time as a Derivative Sales Trader. In his free time, Phil enjoys archery, sports gambling, and spending time at the Scripps Pool.

Brian Delaney '16



Raised in Darien, CT, Brian is a junior at CMC where he is enrolled in the Robert Day School's accelerated 4-year BA/MA Program in Economics (BA)

and Finance (MA). In addition to being a BMGI/Michael Larson Asset Management Fellow and a Robert Day Finance Scholar, he constitutes one-half of Professor Ananda Ganguly's research team as a research analyst at the Financial Economics Institute and is a teaching assistant for Professor Eric Helland's Principles of Economic Analysis class. Inherited from his time editing his high school newspaper, Brian's fascination with journalism coupled with his entrepreneurial background prompted him to co-found the Claremont College's first online entrepreneurial magazine, The Vanguard, with backing from CMC's Center for Innovation and Entrepreneurship. He spent last summer working as an analyst for Harvest Capital Credit (NASDAQ: HCAP), an LBO financing and specialty lending business

development company associated with The JMP Group. In his free time, Brian enjoys fishing, skiing, and New York sports.

Andrew Dodds '15



Andrew is a senior at CMC majoring in Economics and History. In addition to being a BMGI/Michael Larson Asset Management Fellow, Andrew is also a Robert Day

Scholar in the BA program and has tutored Statistics and Econometrics for the Robert Day School of Economics and Finance for the past two years. Born and raised in Piedmont, California, Andrew enjoys playing basketball, reading non-fiction, and diligently following his fantasy football team. During the past two summers, he worked for the TCW Group in downtown Los Angeles and for Investment Technology Group in downtown New York where he worked in the Equity Research Department. Next year, he will be joining Dodge & Cox as a Research Associate working on the team covering beverage companies, tobacco companies, and cement companies.

Brian Eckhardt '16



Brian, originally from Scottsdale, AZ, is a junior at CMC majoring in Economics while also pursuing a Master's degree in Finance. Around campus, he is involved with the

Student Investment Fund and the Rose Institute of State and Local Government. Last summer, he worked as an Investments Analyst with Hawk Ridge Management, a long-short equity hedge fund based in Los Angeles. After freshman year, he interned as a Project Analyst with MeMD, a telemedicine startup company. In his free time, Brian enjoys playing the trumpet and improving his golf game.

Edward Leathers '15



Ed Leathers was born in Bend, OR, but raised in Marin County, CA for most of his life. He is currently a senior majoring in Economics-Accounting and Government. On

campus, he serves as Managing Director of the Media & Telecommunications Industry Group in the Student Investment Fund, and also, through the FEL, works as a research analyst for Professor Eric Hughson. After his sophomore year, he interned as a summer analyst at a small hedge fund in Chicago and interned last summer as a summer analyst for the Technology Investment Banking Group at Wells Fargo in San Francisco. He is looking forward to going back to Wells Fargo as a full time analyst after graduation. Some of his interests include reading philosophy, snowboarding, playing the piano, and MLB baseball.

Cameron Whiting '15



Cameron is a senior from Seattle, WA, pursuing a Bachelor's degree in Economics and a Master's degree in Finance. He is an active member in the Student

Investment Fund, a tutor at the Financial Economics Institute, and a Robert Day Scholar in Finance. In the past, he has tutored intermediate macroeconomics for the Robert Day School and contributed as a research assistant at the Lowe Institute of Political Economy. During his summers, he has interned at Morgan Stanley Wealth Management, taken classes at the London School of Economics, and worked as a tour guide in Saint Malo, France. Last summer, Cameron worked as an investment analyst intern at Cascade Investment in Kirkland, WA. After graduation, he will be moving to San Francisco to work as a financial analyst at ICONIQ Capital. Cameron is an All-American swimmer for the CMS Stags and enjoys playing guitar.

Fall 2014 Financial Economics Sequence Oral Defense Presentations

THE FINANCIAL ECONOMICS SEQUENCE IS PART OF the Robert Day School of Economics and Finance. The curriculum of the Sequence is designed for students interested in pursuing careers in the financial sector and/or graduate education in economics, finance, and related fields.

The Sequence has a rigorous quantitative focus and is designed to complement majors in economics, economics-accounting, and mathematics, as well as dual majors having an economics component. In addition, the Sequence is complementary to the coursework required for the undergraduate Robert Day Scholars Program, and prepares students for the Master's Program in Finance of the Robert Day School. Under the auspices of the Financial Economics Institute (FEI), students complete the Sequence, which is noted on the transcript, thereby attesting to their solid understanding of the discipline.

We currently have thirteen FES seniors who will be graduating during the 2014-2015 academic year. Four of these seniors gave their FES oral defense presentations at the end of the fall semester. In order to receive the Financial Economics Sequence notation on their transcript, students must complete a major research project in the area of financial economics, the project may be the student's senior thesis, and make an oral presentation.

The following is a list of the students who made their presentations this semester along with the titles and Abstracts of their theses:

ELAN BERNSTEIN

The Impact of Credit Default Swap Introduction on Firm Systematic Risk

"This paper empirically explores how the introduction of Credit Default Swap (CDS) trading affects firm systematic risk. By treating the introduction as an event study and imploring propensity score matching and difference-in-differences analysis, this research finds that firm exposure to market risk increases after the introduction of CDS instruments, controlling for higher debt levels. These findings change, however, in times of financial crisis when the impact of CDS trading actually reduces systematic risk. These results show that CDS introduction enables a firm to more dramatically change its exposure to systematic risk in comparison to its counterpart to reflect market conditions."

BRADEN CROCKETT

The Impact of Tenants Default Risk and Transactional Variables on Value: An Empirical Model of Single Tenant Net Leased Retail Assets

"I present an empirical model that is based upon the finding of both the conceptual and empirical models of previous research. I first control for independent property, location, macroeconomic and capital market specific variables on the dependent variables that takes on the form of both the cap rate and sales price. Next I introduce two

new variables that represent the transaction constraint and the default risk of the tenant. I find that the variable market which represents the time an individual property is on the market is statistically significant and has a negative coefficient of when regressed on sales price and a positive coefficient when regressed on the cap rate. When the market variable is further broken into bins, I found that the time on the market does not negatively impact a property unless it is in fact on the market for over 2 years. When the variable representing a tenant's default risk is regressed on the cap rate I found the tenants probability of default to be statistically significant with a negative coefficient. This result is counter intuitive and most likely represents the data set being controlled for investment grade credit rated tenants."

BORIS CHUN YIN LO

The Effect of Institutional Shareholding on the Informational Efficiency of Stock Prices: Evidence from the Hang Seng Index

"This paper uses survey data by the Hong Kong Stock Exchange (HKEx) from 1991-2013 to test the role that institutional ownership has on the relative informational efficiency of stock prices in the Hang Seng Index, using the R² of stock prices as a measurement of efficiency. This paper finds that on the aggregate level, the presence of institutional ownership is positively associated with R², reflecting a negative effect on the level of information incorporated into stock prices. However, in isolating foreign institutions, the relationship with R² reverses, and I find a positive correlation with the informational efficiency of stock prices. Moreover, this paper finds that a period characterized by high growth in institutional shareholding does not necessarily correspond to a greater level of improvement in the informational environment of stock markets. The results however, lack significance, perhaps due to the shortcomings of the survey data which is limited to 21 annual observations when incorporating a t-1 year lag. With more observations we would expect a substantial increase in the significance of the coefficient on our explanatory variables."

T. CONNOR SCHLEGEL

Strategic Risk-Taking in Tournaments through the Lens of PGA Match-Play

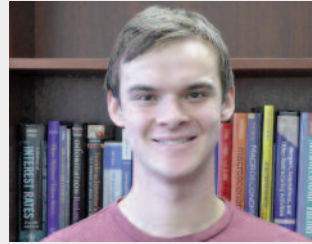
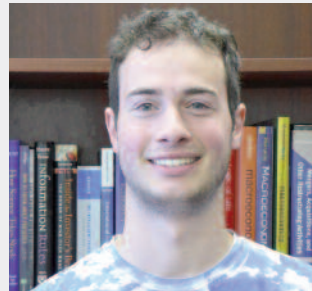
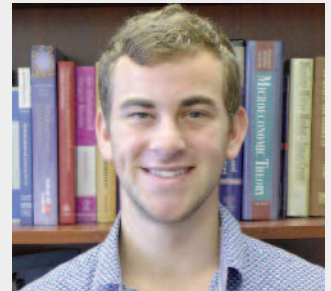
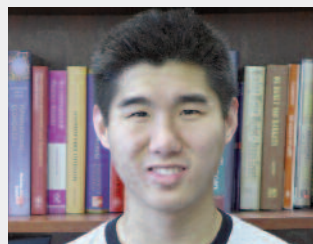
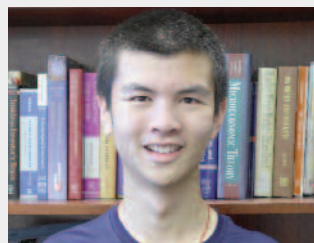
"This paper builds on Ozbeklik and Smith's (2014) empirical study examining the risk-taking behavior by competitors competing in match-play, head-to-head, and single-elimination tournaments. I examine just shy of 7,000 holes from the World Accenture Match-play Tournament. Match-play tournament format provides a clean medium to examine how risk-taking strategies change by competitors over the course of a competition (holes remaining), based on relative ability of competitors, relative score (lag or lead), and on projects (holes) that are risk inducing. My findings have direct implications for many corporate settings from corporate promotional tournaments to research and development expenditures to bidding wars between rival firms." ▲

Financial Economics Institute

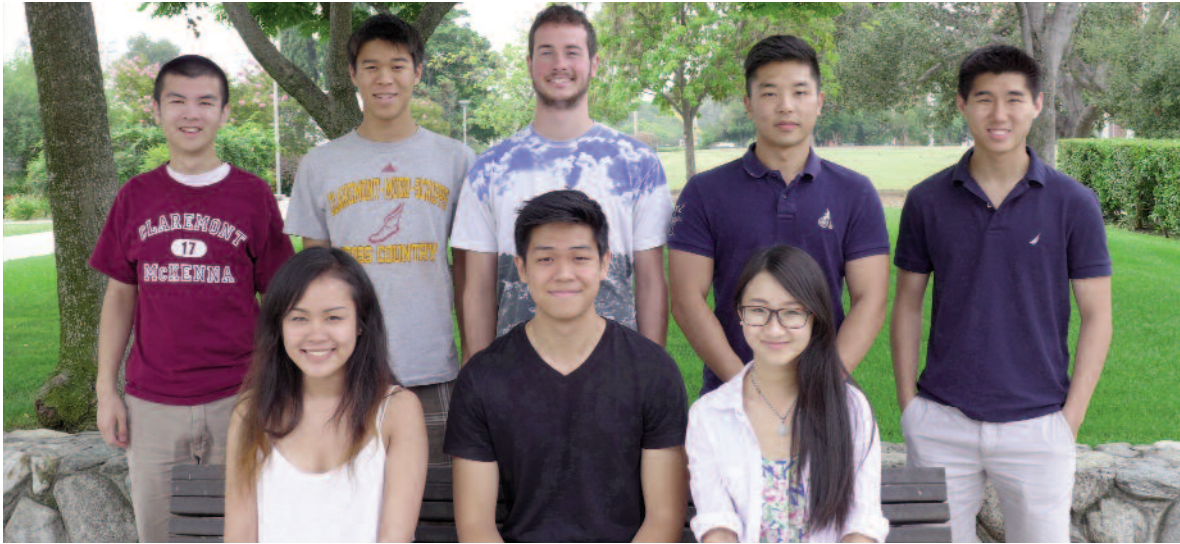
Fall 2014 Student Research Analysts

During the Fall 2014 semester, twenty-one student Research Analysts were hired to work at the FEI. The following is a list of students, their faculty advisors, and a brief description of the research projects in which they were involved or the type of tutoring they provided:

- ▶ **GABRIEL AYALA '16** is the Excel tutor at the FEI.
- ▶ **AVIV CASPI '16** is working with Professor Eric Helland on a project researching expert witness admissibility standards in pharmaceutical lawsuits and examining the most effective legal arguments for denying or admitting an expert witness. He is the Python programmer and tutor at the FEI.
- ▶ **JESSE CRABTREE '16** is working with CGU Professor Paul Zak to determine the socioeconomic effects of alcohol consumption. He is also working on a second project with Zak, helping to build an economic model projecting movie revenues.
- ▶ **BRIAN DELANEY '16** is working on a project with Professor Ananda Ganguly investigating how individuals discern between relevant and reliable information when buying and selling stocks.
- ▶ **MEGHAN FUELLING '16** is working on a project with Professor Eric Helland examining the nature of arguments in Daubert motions to exclude expert testimony.
- ▶ **JI YOUNG HUH '15** is working on a project with Professor Eric Helland examining the nature of arguments in Daubert motions to exclude expert testimony.
- ▶ **MICHAEL IRVINE '16** is working with Professor Eric Helland on a project researching expert witness admissibility standards in pharmaceutical lawsuits and examining the most effective legal arguments for denying or admitting an expert witness.
- ▶ **CHRISTOPHER JACKSON '17** is working with CGU Professor Paul Zak developing an experiment testing under what circumstances a subject is placed in order to elect to utilize an algorithm to solve a problem versus one's own decision-making.
- ▶ **TOOBA KARIM '16** is working with Professor Matthew Magilke examining whether investors react to the confirmatory nature of accounting information. The vast majority of existing accounting research focuses on the predictive value of accounting information and how investors react to this component. They intend to focus, instead, on the confirmatory value (or feedback value) of accounting information and examine how much investors value this component of relevance. Additionally, they intend to examine if there are certain industries and firm characteristics that lend themselves to investors valuing the confirmatory component relatively more than others.
- ▶ **MIN JUN "MJ" KIM '15** is working with Professor Richard Burdekin performing an event study about the Chinese Super League and the funding of increased transfer spending by Chinese enterprises and revising a paper about NHL salary determination based on not only skills, but also on fighting ability.
- ▶ **BENJAMIN LAWSON '15** is working with Professors Mitch Warachka and Marc Weidenmier to analyze how stock price dissemination, through tickers across the U.S., affects market efficiency.
- ▶ **ED LEATHERS '15** is working with Professor Eric Hughson on the Congressional Insider Trading project, which examines the stock returns of Congressmen and whether these findings indicate insider trading.
- ▶ **SEOHYUN "RACHEL" LEE '17** is working on a project with Professor Eric Helland examining the nature of arguments in Daubert motions to exclude expert testimony.
- ▶ **WOO HYUN "ANDREW" NAM '15** is the Stata tutor at the FEI.
- ▶ **XIAOYANG QIAN '17** is working on a project with Professor Eric Helland examining the nature of arguments in Daubert motions to exclude expert testimony.
- ▶ **ISAAC THOMAS '15** is working on a project with Professor Ananda Ganguly investigating how individuals discern between relevant and reliable information when buying and selling stocks.
- ▶ **CAMERON WHITING '15** is the Bloomberg tutor at the FEI.
- ▶ **ALBERT XU '17** is working with Pomona College Professor Gary Smith on two projects. The first is investigating the theoretical and practical importance of taking into account the full term structure as opposed to a single discount rate while valuating stocks. The second project looks into whether or not investors overreact to news by analyzing the Dow Jones Industrial Average since 1928.
- ▶ **SOYEON "NIKKI" YEA '15** is working with Professor Sven Arndt on a project entitled, "The Relationship between Exchange-Rate Expectations and Balance-of-Payments Adjustment in Economies with Internationally Integrated Finance Markets."
- ▶ **ANDREW YEH '17** is working with Professor Eric Hughson on deconstructing the factors of momentum returns with a leaning towards non-idiosyncratic factors. They are hoping to use this model in order to understand the phenomenon "momentum crashes."
- ▶ **ZHONGYI "JOEY" YU '17** is working with Professor Jeffrey Flory evaluating the effects of micro-finance on food security issues in Malawi and is also working on a project on deriving appropriate subsidy levels and solar panel financing schemes in rural Argentina for an ongoing World Bank electrification project.

**GABRIEL AYALA '16****AVIV CASPI '16****JESSE CRABTREE '16****BRIAN DELANEY '16****MEGHAN FUELLING '16****JI YOUNG HUH '15****MICHAEL IRVINE '16****CHRISTOPHER JACKSON '17****TOOBA KARIM '16****MIN JUN "MJ" KIM '15****BENJAMIN LAWSON '15****ED LEATHERS '15****SEOHYUN "RACHEL"
LEE '17****WOO HYUN "ANDREW"
NAM '15****XIAOYANG QIAN '17****ISAAC THOMAS '15****CAMERON WHITING '15****ALBERT XU '17****SOYEON "NIKKI" YEA '15****ANDREW YEH '17****ZHONGYI "JOEY" YU '17**

Financial Economics Institute 2014 Summer Research Analyst Internship Projects



Back row, left to right:
Andrew Yeh '17,
Andrew Atwong '16,
Benjamin Lawson '15,
Min Jun "MJ" Kim '15,
and Albert Xu '17.
Front row, left to right:
Bai Xue '16, Alex
Hwung '16, and Yicong
"Nicole" Lin '16.

ANDREW ATWONG '16

Faculty Advisor: Professor Ananda Ganguly

Project: Quartile Regressions and Predictions of Financial Statement Errors

- Compiled firm-level financial data from the Compustat database via WRDS
- Verified and edited Compustat data on target companies' full financial information
- Consolidated and coded company misstatement data from three independent databases into Excel
- Processed and summarized academic papers from related research

ALEX HWUNG '16

Faculty Advisor: CGU Professor Paul Zak

Project: The Influence of Trust (Ofactor) on Financial Performance

- Compiled a list of public firms, including those on *Fortune's* "100 Best Companies to Work For"
- Gathered data on key performance indicators and standardized the results to represent firm performance relative to industry
- Designed an index of environmental measures to evaluate the level of 'Trust' within a firm
- Conducted analyses of various regressions to determine the relationship between a firm's performance and its level of 'Trust' as measured by the Ofactor index

MIN JUN "MJ" KIM '15

Faculty Advisor: Professor Richard Burdekin

Project 1: Chinese Super League and the funding of increased transfer spending by Chinese enterprises

- Searched, summarized, and translated articles and policies about the CSL reforms and major events
- Gathered data about the transfer market and club finances to identify historical trends of the CSL
- Used STATA to perform an event study based on the stock prices of the publicly traded Chinese companies that own CSL clubs

Project 2: Assessing the Impact of the Chinese Stimulus Package at

Home and Abroad: A Damp Squib?

- Helped to revise the paper by identifying and analyzing additional industry sectors
- Searched, summarized, and translated articles and policies about the post November 2008 stimulus
- Ran necessary regressions to analyze the significance of the post November 2008's stimulus on the additionally identified industry sectors

BENJAMIN LAWSON '15

Faculty Advisor: Professor Mitch Warachka

Project: Information Dissemination and Stock Market Efficiency

- Collected and organized data on stock price information dissemination from the NYSE archives and found correlations to correct for missing data
- Gathered HQ location, asset value, market value, cash flow, etc. of NYSE traded firms 1926-1988
- Wrote multiple VBA programs to categorize hundreds of thousands of data points for firms spread across different industries and thirty years
- Created transition matrices for firms crossing terciles in assets, sales, and PPE to help conclude Tobin's Q project using Excel, Stata, and Matlab

YICONG "NICOLE" LIN '16

Faculty Advisor: Professor Joshua Rosett (joint work with Professor Richard Smith, UC Riverside)

Project: Research Productivity in Finance and Accounting Scholarship

- Collected and cleaned data on authors for two calendar years (2003 and 2013) from eighteen selected journals in finance and accounting from different sources and designed STATA to sort and merge these data sources
- Obtained a source useful as the population of researchers in finance to provide a baseline life-cycle distribution, assisting further research on research productivity pattern over life-cycles of finance and accounting scholars

- Provided basic statistical summaries (STATA & Excel) of the raw data as feedback, helping guide the development of the databases
- Applied advanced statistical techniques to analyze how finance and accounting research productivity is correlated with some observable indicators (author productivity and affiliation rankings, year of PhD, school granting PhD etc.)

ALBERT XU '17

Faculty Advisor: Professor Eric Helland

Project 1: Unintended Consequences of Products Liability: Evidence From the Pharmaceutical Market

- Gathered all available data from FDA Adverse Event Reporting System (AERS) database and helped write code to append data sets
- Reformatted and aggregated data using STATA

Project 2: The Role of Expert Evidence in Pharmaceutical Litigation

- Analyzed the role and consistency of the Daubert Standard on the admissibility of expert witnesses in pharmaceutical litigations
- Designed coding summary and procedure to code motions to exclude expert testimonies and their corresponding responses and opinions
- Compiled and helped code 350 cases from Public Access to Court Electronic Records (PACER) database in order to create comprehensive summary and economic regression model

BAI XUE '16

Faculty Advisor: Professor Sven Arndt

Project: The Relationship between Exchange-Rate Expectations and

Balance-of-Payments Adjustment in Economies with Internationally Integrated Financial Markets and high capital mobility

- Collected and organized balance of payment statistics including capital flow variables, trade balance variables and other financial accounts of Canada, Euro Zone, Germany, Japan, Switzerland, the US and the UK since 1995 from IMF
- Constructed correlation matrix and ran regressions using Excel to determine the relationship between capital flow variables, trade balance variables and financial account variables
- Conducted unit-root tests using Stata to determine whether capital accounts are non-stationary
- Performed time series analysis and created graphs to analyze the trends of capital inflows and outflows

ANDREW YEH '17

Faculty Advisor: Professor Eric Hughson

Project: Momentum Crashes

- Compiled and organized 96 years of stock return related data
- Back tested momentum-driven stock strategies under varying time periods and pre-conditions, observing typical momentum profits and occasional momentum crashes
- Derived long-run volatility from 1896-2012 price data and volatility's connection to momentum profits and crashes
- Analyzed momentum effect's prominence in industry investments with specific focus on the financial industry

2014 Southern California Finance Conference

By Eric Hughson, the Don and Lorraine Freeberg Professor of Economics and Finance

ON FRIDAY, OCTOBER 24, AND Saturday, October 25, the Financial Economics Institute sponsored the second annual Southern California Finance Conference at Claremont McKenna College. Organized by CMC Professors Mitch Warachka and Eric Hughson, the purpose of the conference was to further interactions between members of the Claremont Colleges community with interests in finance and respected finance academics from universities throughout Southern California. There were about twenty participants who attended the two-day conference. In the two three-hour sessions, five papers on a variety of topics in academic finance were presented and discussed by participants from CMC, Loyola Marymount, UC Irvine, UCLA, UC Riverside, UC San Diego and USC.

One theme of the conference was market efficiency. For example, in *Who are the Smartest Investors in the Room? Evidence from U.S. Hedge Fund Solicitation*,

Professor Chris Schwarz of UC Irvine argued that not all investors were equal when it came to identifying profitable investment opportunities among hedge funds. Perhaps more surprising was a finding in *Being Surprised by the Unsurprising: Earnings Seasonality and Stock Returns*, where Professor Tom Chang of USC and his coauthors demonstrated that the market chronically underreacts to the high earnings displayed by seasonal firms such as large retailers in the fourth quarter of the year. Other conference highlights were Professor Richard Smith, UC Riverside, and CMC Professor Janet Smith's discussion of which university endowments are invested in a socially responsible fashion (private college endowments); UCSD Professor Chris Parsons' paper on why accounting fraud is mainly a local phenomenon, influenced largely by social networking behavior within a particular geographic region; and LMU Professor Micah Officer's analysis

of when it was optimal for acquiring firms to retain target firm CEOs after a merger.

In addition to the sessions, the conference featured a lunchtime talk at the Marian Miner Cook Athenaeum (which also doubled as an FEI Seminar Series talk) featuring Professor Ivo Welch from UCLA. In his talk, "Corporate Capital Budgeting," Professor Welch argued that the study of finance in the classroom focuses too much on what we don't know. He started the talk by explaining that the present value of a project was the discounted risk-adjusted value of its expected future cash flows. Instead of focusing on discounting and the appropriate risk adjustment, which he argued were poorly understood, he argued that time in the classroom was better spent understanding how firms generate revenue and how to generate better cash flow forecasts. ▲

Director's Report from page 1

administration will enhance cooperation between the FEI and RDS. Brian will also play a key role in developing the new strategic plan. We are already working together on an assessment of the data offerings made available through the FEI and the creation of a new Institute website. We added two new data offerings this fall, one on international data and one on deal activity. Look for the new website sometime next spring. This semester, both Brian and Michelle Chamberlin from the RDS staff worked on the NYC Networking Trip.

One change which took place at the beginning of the fall semester was the addition of a student Python tutor to the FEI Lab. In the Spring 2014 newsletter, Professor Hughson noted the fine thesis on municipal bond pricing written by Carter Wilkinson, for which Carter won the Best Finance Thesis award. An interesting aspect of his thesis was Carter's use of data collected from the web using a Python-based web crawler. We believe Carter's work shows the way to innovation in our approach to student research. In order to enhance the tutoring offerings of the FEI in this direction, this fall Aviv Caspi '16 was hired as a Python programmer/tutor and he has helped other students with similar efforts, and we are exploring additional avenues to bring computer science, big data, and new methods of analysis to the Institute.

Special thanks go to Michelle Chamberlain, Director of External Relations at the RDS, who has organized a great New York City Networking Trip for January 2015. Students will arrive on Sunday, January 11, and participate in numerous scheduled firm visits, dinners, and alumni events through Thursday, January 15, with Friday reserved for interviews and sight-seeing opportunities. Along with the firm visits, we will visit the floor of the New York Stock Exchange and

the 9/11 Memorial Museum.

Last month, with organizational aid from Lizzie Fitzpatrick of BMGI, the FEI hosted an event bringing together the Student Investment Funds from CMC, Harvey Mudd College, and Scripps College. A four-person team from each SIF pitched a company to a panel composed of CMC graduates Michael Larson '80, Alan Heuberger '96, John O'Brien '02 and William Knowles '13, all of BMGI; and Erik Anderson '80 of WestRiver Capital, Inc. The opportunity to present before and receive comments from this panel was highly valuable for the student teams from all three colleges, as well as for the many other students in attendance.

In another important change related to BMGI, this year both the BMGI/Michael Larson Asset Management Fellowship stipends and research support amounts were substantially increased, benefitting several students each year. We are grateful for both the participation in the pitch event noted above and BMGI's generosity in supporting our students.

This fall, the FEI also sponsored the second annual Southern California Finance Conference organized by Professors Mitch Warachka and Eric Hughson. The conference featured keynote speaker Professor Ivo Welch of UCLA as a luncheon speaker at the Athenaeum, where he spoke about corporate capital budgeting. A theme of the conference was market efficiency. More detail on the conference is provided in Professor Hughson's summary of the conference in this newsletter.

Before closing, I want to take a moment to thank Terri Van Eaton for her great work at the FEI. Her interaction with the students is critical for making the FEI Lab a success, and over the past several months, her comprehensive knowledge of the Institute and good cheer imparting it to me has been indispensable as I have started work at my

new post with the FEI.

Finally, I would like to thank the RDS Board and numerous others for their contributions to the FEI. The FEI provides many valuable experiences for our students, including networking, tutoring, opportunities to work with faculty, and access to data, hardware, and a space to work, but none of these would be possible without the generous support of many individuals. ▲

Upcoming Events

New York City Networking Trip

JANUARY 11-16, 2015

Ten CMC juniors and five CMC sophomores will visit prestigious firms in NYC to gain exposure to various job opportunities in the financial markets and to establish relationships with CMC alumni working at these companies. Visits this year will include ITG, Goldman Sachs, Moelis & Co., Deutsche Bank, Bloomberg, Lazard, Greenhill & Co., Fred Alger, JP Morgan, Millstein, Morgan Stanley, PNB Paribas, Atalaya Capital Management LP, Credit Suisse, and a tour of the New York Stock Exchange.

Claremont Finance Conference

FEBRUARY 13, 2015

The Executive Committees of the Student Investment Funds of CMC, Pomona College, and Scripps College, are coordinating and hosting the annual finance conference. The Keynote Speaker will be Shaw Wagener, Chairman of Capital International. This year, the conference and panels will focus on investing strategies when U.S. equities markets are at record highs. More detailed information will be distributed in January.



FINANCIAL ECONOMICS
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