

The Exchange

NEWS FROM THE FINANCIAL ECONOMICS INSTITUTE AT CLAREMONT MCKENNA COLLEGE

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Director's Report

by Joshua Rosett



Joshua Rosett

THE 2018-19 school year is now complete, and by many measures was a banner year for the FEI. In particular, student interest in our programs reached high points in many dimensions. It was also a very busy year in that the Finance program, Accounting program, and the FEI itself are in various stages of external review, which will help us plan for the next stretch of years. We are also currently at the point where we are renewing both our Advisory Board and the FEI Associates, as well as adding new members. We have strengthened our infrastructure, as we just completed the first year with the new statistical 'super-computer' server, and are refurbishing the old server for use with additional software. We also added new monitors to complement the new set of computers in the Lab brought on line last Summer. We also continued our usual programming, including the NYC Networking Trip; the BMGI sponsored Pitch event, BMGI Fellows program, and Summer interns program; two events sponsored at the Athenaeum; numerous Student Investment Fund events, and many other activities.

In terms of numbers showing student interest, we had the largest number of applicants for Research Analyst positions in the Lab (68), the largest number of BMGI

Fellows (8), and the largest contingent participating in the NYC Trip (18) of any year going back at least five years. We also had the largest number of students completing the Financial Economics Sequence (17) since 2013, continuing the resurgence of the FES. During the year we employed 21 students in the Lab during the Fall semester and 19 during the Spring semester. BMGI Fellow Jennifer Mace (CMC '19) provided the nearby article about her experience with the FEI, which captures many of our main programs and the impact they have on students participating in them.

We completed the first full year requiring Finance BA/MA students to defend their theses, as we believe the thesis requirements for BA/MA students should be as stringent as those for FES students. For 2018-19, nine BA/MA students defended theses. This brings the total number of finance thesis defenses for the academic year to 26, which is a healthy fraction of all theses completed at the College for the year. We also note that we repeatedly have interest from students at the other Claremont Colleges in completing the FES. Unfortunately, the other colleges do not accept the FES as a course of studies, so we are unable to meet this demand, but it shows the broad-based interest in our programming.

The BMGI sponsored programming continues to be very strong. The Pitch event, held on April 4, drew over 100 spectators. This year, both Pomona's

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FINANCIAL ECONOMICS
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CLAREMONT MCKENNA COLLEGE

2019 New York City Networking Trip

By Julia Schulman '21 and Haven Shi '21

THIS JANUARY, THE FINANCIAL Economics Institute and the Robert Day Scholars Program sponsored the 15th annual New York City Networking Trek. In the final week of winter break, eighteen sophomores traveled to NYC to learn about the variety of opportunities available to them in the financial services industry. The trip offered the chance for these students to interact with various alumni and recruiters to learn more about the world of finance, what it has to offer, and how to take command of it. Melissa Scott (Assistant Director of Career Services), Freya (Lee) Hurtado '09 (Assistant Director of Career Services), Amy Flanagan '11 (Assistant Director of External Relations), and Eric Hughson (Chair of the Robert Day School faculty) accompanied the students on their visit.

The first visit of the trek was to Rothschild & Co, a family-owned, global independent financial advisory group. The visit was hosted by Alyssa Hansen (Recruiter) and Rish Chitre '18 (Investment Banking Analyst). Rish, Brian Lee (Vice President, Restructuring), and Michael Wilcheck (Director, Debt Advisory) introduced the students to Rothschild's firm history and global presence. Later, Maegan Wang (Analyst, Healthcare), Stephanie

Mellert (Analyst, Restructuring), and Mitch Shapiro (Analyst, TMT) further explained Rothschild's new analyst training program and rotational opportunities, which provided us more insights of Rothschild's corporate structure from an insider's view.

The second visit of the day was to Moelis, a global independent investment bank that provides financial advisory services. The students learned about Moelis' New York office's specific coverage groups and the firm's general service-driven and resilience spirit from Brian Callaci P'20 (Managing Director). During the networking session, students were able to learn more about analysts' daily obligations from Yejin Yeoum (Investment Banking Analyst), Elliot Rosenbaum (Investment Banking Analyst), Courtney Parr (Investment Banking Analyst), and Chris Speier (Investment Banking Analyst). The analysts also answered different student's specific questions about Moelis.

The group then visited Alger, an investment management company whose premise is to invest in "Positive Dynamic Change." The students met with Dan Chung (CFA, Chief Executive Officer, Chief Investment Officer, Portfolio Manager) and Kevin Collins (CFA, Senior Vice President, Client Portfolio Manager). The students

were able to gain an incredible level of insight into the firm's investment management strategy and a number of employment opportunities with the firm.

For their final visit of the day, the students dropped by J. P. Morgan, where they met with Benjamin Beller '09 (Associate, Investment Banking), Jason Reed '01 (Executive Director, Asset & Wealth Management), Shruti Topudurti '18 (Analyst, U.S. Equities-Asset Management), Anushka Kannan (Analyst, Investment Banking), and Christian Cargill (Analyst, Investment Banking). These individuals hosted an informal question-and-answer panel for the students, and each gave their perspective on what they value at the firm and what students can do to push themselves in their future careers.

Monday evening was the first night of dine-arounds, where groups of two or three students had the opportunity to get a meal with accomplished alumni. The dinners presented a fantastic opportunity for them to learn about the different paths CMC graduates can take to have distinguished careers in the financial services industry.

The students started the second day of the trek with a visit to UBS, a global bulge bracket bank. The hosts, Henry Goodman P'17 (Senior VP, Private Wealth Management) and Eddie Conrad M'10 (Director, Private Funds Group) took turns to explain to the students UBS' firm structure and what their own divisions do. Then, students were given the opportunity to have discussions with Nikhil Venkatasubramanian (Analyst, Private Funds Group), Nikhil Shivdasani (Analyst, Private Funds Group), and Eric Hirsberg (Analyst, Private Funds Group) to ask their questions, especially about the UBS Private Funds Group.

Then, the students visited Wells Fargo Securities, the Investment Banking, Securities, and Capital Market division of Wells Fargo. The hosts, Samuel Ross '08 (Investment Banking Associate), Marc Birenbaum '91 (Managing Director), and Jim Broner (Head of TMT Investment



CMC Students on the NYC Networking Trip in Times Square.

NYC Networking Trip from page 2

Banking) introduced the basics of Private Equity to students and organized a case study on Six Flags. The students then heard from Matthew Fitzpatrick (Investment Banking Analyst, Leveraged Finance), Blake Rowlinson (Investment Banking Analyst, Financial Sponsors Group), Allison Lee (Investment Banking Analyst), and Austin Carter (Investment Banking Analyst) about their career development at Wells Fargo Securities.

The final visit of the day was at Duff & Phelps, a global financial advisor that specializes in valuation, corporate finance, and compliance. The visit was hosted by Lara Benedetto (Vice President of University Talent Acquisition) and Marc Chiang P'21 (Managing Director of Valuation Services), who invited several individuals to speak about their work at the firm. The students were first introduced to Monica Monticello and Ana Davilla, two representatives of Kroll, a corporate investigations and risk consulting firm that Duff & Phelps recently acquired. They then spoke with Chris Downing (Transfer Pricing), Katie Lynch (Real Estate) and Elior Alayev (Valuation Services), who each gave their own insights about the benefits of working at a financial advisory.

Later that night, the second half of students ventured out into the city for the second evening of dine-arounds, forging valuable connections with alumni who hold positions in the hedge fund industry, investment banking, and asset management.

The students paid their first visit of the third day to Atalaya, a privately held alternative investment advisory firm. Our host Ivan Zinn '96 (Founding Partner, Managing Partner, Chief Investment Officer) gave the students a thorough overview on Private Credit, Hedge Funds, and Private Equity. He also introduced the students to Atalaya's recent years' performance and its investment strategies. The meeting was later joined by Mia Genereux (Associate) and Brian Ford (Managing Director, Business Development), who described their department functions and work obligations to the students.

The second visit of the day was to Greentech Capital Advisors, a sustainable

advisory and asset management firm. Oke McAndrews (Associate), Oren Redinger (Analyst), and Eric Guan (Analyst) explained Greenhill's Renewable Energy focus to the students and also briefly discussed the current Renewables industry trends. Students learned a lot about the industry from talking to different analysts during lunch in the office.

In the afternoon, the group visited Alliance Bernstein, a global asset management firm that provides research services to institutional and high-net-worth individuals. Here, they first met with Cody Patrino (Campus Recruiter), who gave insights on the different opportunities for undergraduates, and the diversified paths their incoming class of associates can take during their time at AB. The students were then introduced to Chris Brigham '09 (Senior Research Associate, Bernstein Research), who described his day-to-day routine as a research associate, and how his passion for value investing is integrated into AB's core principles.

After the visit to Alliance Bernstein, the students headed to D. E. Shaw, a global investment and technology development firm. Jayshlyn Acevedo (Recruiter) arranged a private tour of the company's office, where the group was able to grasp the culture, which emphasizes the diversity of thought and the value of having "unusually ambitious goals." Jayshlyn also gave an overview of the company's history and their focus on future international expansion.

On the fourth day of the trek, the students first visited Deutsche Bank, a German multinational investment bank and financial services company. The visit adopted the form of "revolving door", and the students were able to hear from Steven Limandibhratha M'14 (Investment Banking Associate), Tania Salomon '17 (Analyst), Calli Hayes (Managing Director, Credit Risk), and Kyle White M'14 (Equity Research Associate) introducing their department's different functions and their own experience in Finance. The students gained lots of great advice in choosing the right financial position and how to navigate the recruiting process from the discussion.

The students then paid a visit to Jane Street, a quantitative trading firm with a unique focus on technology and collaborative problem-solving. Our host

Chelsea Stagg (Recruiter) organized a firm tour and showed us the trading floor, the recreational lounge, and the cafeteria. The students then sat down with David Proctor P'20 (Partner, Retired) and had a discussion on quantitative trading and Jane Street's combination of Tech and Finance. Jane Street provided the students with lunch at the office.

For their third stop of the day, students visited Goldman Sachs and met with alumni in various divisions of the bank. The visit was hosted by Katherine Krey '17 (Investment Banking Analyst), Brian Delaney '16 (Investment Banking Analyst), Xiaoyang Qian '17 (Investment Banking Analyst, Technology), Thomas Schalke '18 (Securities Analyst), Max Mullen '12 (Vice President of Structured Finance), Dane Brown '15 (Investment Banking Analyst), Kaitlyn Kelleher '17 (Investment Banking Analyst), Andy Kaiser P'13 (Investment Management), Christine Mann '87 (Investment Management), David Alvililar '01 (Managing Director, Securities), Jake Glasser '17 (Securities), and Peter Rominger M'14 (Investment Management). Students acquired an in-depth overview of different departments within the bank, and also learned about the collaborative and supportive culture of Goldman Sachs.

For their final visit of the day, the students stopped at Spruce House Investment Management, a large advisory firm with discretionary assets under management of over \$2 billion. Here, the trekkers were able to meet with Ben Stein (Co-founder, Managing Member) and Jared Solomon (Managing Member). Here, the students were able to obtain knowledge on the company's non-traditional approach to investment, with a core focus to invest in "people" rather than companies. They further described the company's upbringing, speaking on how they developed and maintained relations with Robert Day '65, the second individual to invest in the founder's idea when they were only juniors in college.

On Thursday evening, dozens of local alumni joined the students, Student Opportunity Center staff, and professors for a networking reception at Vandal, hosted by Doug Peterson '80 (President and CEO of S&P Global). The event allowed the

Financial Economics Institute

Spring 2019 Student Research Analysts

During the Spring 2019 semester, nineteen 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:

AHMED BILAL '19 worked with Professor Laura Grant on using a unique quasi-experimental program, with a panel of monthly household electricity billing, to test four fundamental hypotheses and update our understanding of electricity demand responses.

BROOKLYN BUTTON '22 worked with Professor Angela Vossmeier on a project that traces the interconnection and evolution of major legislative events and the Bank of England's governorship on financial volatility and shows how such relationships varied over time given the profound changes in world order. The project decomposes the sources of financial volatility on agricultural shocks, Bank of England leadership, trade uncertainty, war, and other variables.

RUYAN CHU '21 worked with Professor Yun Liu to study the relationship between readability of financial report and litigation risk. She conducts initial data analysis and literature review to analyze trends and correlations.

ANTHONY DERAS '20 worked with Professor Julio Garin on a project that examined the effects of climate change on the ownership of ski resorts throughout the United States.

ROMA FOREST '19 (BMGI) worked on a project with Professor Eric Helland that created a database of civil court cases at the county court level. In the future, this database can be used for future research into a wide variety of litigation topics as well as assist other students with their litigation / policy research projects or theses.

REEVE GROBECKER '19 (BMGI) worked with Professor Eric Helland to examine the effect of shifting cases from district courts to the SEC. In particular, the project focused on the impact of Dodd-Frank and the SEC's enhanced authority in administrative courts in regard to civil penalties.

YUTAO "JAMES" JIANG '19 was the Bloomberg, CapIQ, and Excel tutor in the FEI Lab.

WILLIAM LI '21 (Terri Van Eaton Fellow) performed literature review for research studying the effects of international diversification on firm value under Professor William Lincoln.

JENNIFER MACE '19 (BMGI) worked on a project with Professor Fan Yu to match DRD default records to corporate bond and firm fundamentals data and analyze bond trading around the time of default. She also used a subset of the data for her thesis to compare bond return volatility for firms with CDS to those without CDS around default events.

ALEXANDER MCKENNA '20 (BMGI) worked with Professor Julio Garin on a project titled "On the Welfare Effects of Phasing Out

Paper Currency." The paper uses a quantitative model to assess the costs and benefits of currency suspension proposals around the world. He was also the Stata tutor in the FEI Lab.

LUKE OSTRANDER '20 worked with Professor Eric Hughson conducting research on regional interest rates from 1926-1934. Luke also helped research for Professor Eric Hughson and Professor Cathy Reed's joint-study project which evaluated the responses of college students in the Ultimatum Game.

JOSEPH SCHEUER '19 (BMGI) worked with Professor Eric Hughson conducting research on the impact of monetary policy on United States security prices from 1926 to 1938.

TANISHA SHETH '20 (BMGI) worked with Professor Angela Vossmeier to examine criminal behavior in banking. Specifically, of interest is whether or not criminal activities are contagions across linked financial institutions and how the misbehavior of an institution alters the network of systemic risk.

MICHAEL "MATT" SILL '21 worked on a project with Professor Andrew Finley collecting data pertaining to the credentials of current workers at the Public Company Accounting Oversight Board.

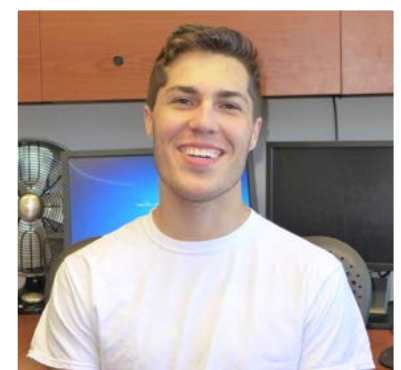
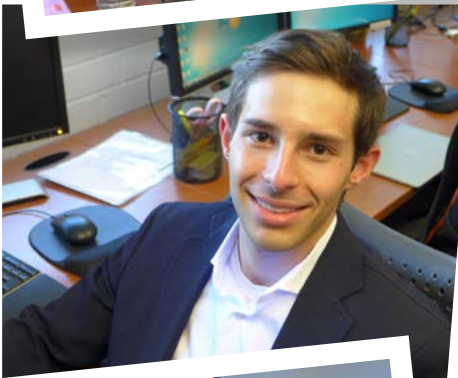
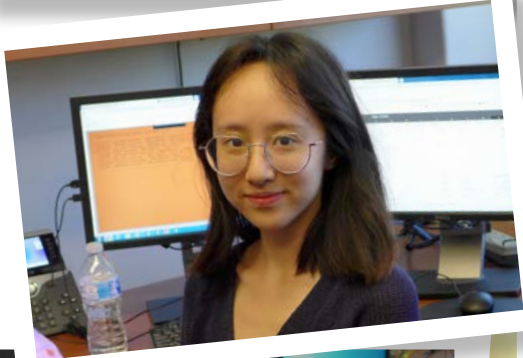
SETH TAYLOR-BRILL '20 (Terri Van Eaton Fellow) worked with Professor Benjamin Gillen on a project concerned with testing a strategy that used subset optimization to develop portfolios that would otherwise encounter problems of dimensionality.

SHUJIE "JOHN" XIA '19 worked with Professor Jeffery Flory on a project that examines the impact of access to financial services on reducing poverty using a field experiment data set on Malawi.

YANJIN YANG '21 worked on a project with Professor Richard Burdekin collecting stock market data of Canada and Mexico from 1960 to 1965.

HAOHAN ZHANG '21 worked on a project with Professor Benjamin Gillen that developed a new asset allocation algorithm by running simulation and backtest experiments on CRSP data. This algorithm will be particularly useful when investors face many securities with short return histories.

LANGNING "LORRAINE" ZHAO '21 worked with Professor Angela Vossmeier on a project involving systemic risk and network structure to trace the evolution (destruction and rebuilding) of the banking correspondent network system during the Great Depression and make comparisons to the recent structure.



The Financial Economics Institute: A Student's Experience

By Jennifer Mace '19

THE FINANCIAL ECONOMICS Institute (FEI) was founded in 2004 with the mission to provide students unique research, academic, and extracurricular opportunities. The FEI runs the Financial Economics Sequence, offers student and faculty research projects, supports the Student Investment Fund (SIF), and sponsors workshops, networking trips, access to databases, internships, and finance-related software tutoring.

When I decided to attend Claremont McKenna College (CMC), I knew I would probably end up studying economics. I had an interest in finance, but since CMC is a liberal arts college, I was unsure of how feasible studying financial economics and finance would be. For me, the FEI is what sets CMC apart from so many other liberal arts colleges. The FEI provides students with a door into financial economics through its Financial Economics Sequence, research analyst positions with FEI professors, financial databases, the Student Investment Fund, the BMGI Asset Management Fellowship, and the New York City Networking Trip. I am so grateful to have participated in all these opportunities through the FEI over my four years at CMC.

I was first exposed to the FEI when I was accepted into the Student Investment Fund (SIF) my freshman fall. I started as an analyst in the fund and ended as the Portfolio Manager (PM) of the Consumer, Food, and Retail industry group. SIF offers students an opportunity to study investing and portfolio management through the "trial by fire" approach while creating value for CMC's endowment and supporting scholarships. SIF quickly exposed me to investing, the field of finance, and many of the different resources that the FEI provides. As an SIF analyst, I had access to CapitalIQ (a financial intelligence platform), Bloomberg, and a Board of Associates with whom I could discuss investment ideas and ask for advice on valuing a company or researching a specific sub-industry. Once a semester, the PMs also present their portfolios during the FEI Board of Associates meeting, thus gaining important

practice in presenting and defending investments. I acquired extremely valuable skills as an analyst and as a PM in SIF that I know will definitely help my career in finance.

My sophomore year, I attended the New York City Networking Trip in January. We spent four days meeting with about 15 different firms in the financial industry, CMC alumni and parents. The trip had a very busy schedule, but I learned so much about the different careers available in finance and the classification of different firms. For example, I finally learned the difference between middle-market and boutique bank, and how investment banking differed from investment research. Having spoken with many others who have gone on this trip, we all agreed that it was an invaluable learning experience that helped us narrow our career interests within finance and build our networks for future opportunities. The trip would not have been possible without the FEI and professors like Professor Rosett and Professor Hughson who sacrificed many hours planning the trip and some of their winter break to attend.

The NYC Networking Trip combined with my experiences in SIF and summer internships at Goldman Sachs in Private Wealth and Global Investment Research helped me determine that I wanted to pursue a career in investment research and/or asset management. The FEI receives generous support from BMGI and CMC trustee Michael Larson, particularly through their creation of the BMGI/Michael Larson Asset Management Fellowship. The Fellowship offers both a financial scholarship/merit award and research experience to juniors and seniors at CMC who are interested in careers in asset/investment management. As a BMGI/Michael Larson Asset Management Fellow my junior and senior year, I am extremely grateful for the opportunities it provided me, particularly the research opportunities through the Financial Economics Institute. During my junior year, I was paired with Professor Vossmeier and worked on research analyzing the impact of the Federal Reserve's lending to nonbank financial

firms on economic recovery and growth - specifically during the Great Depression. The deepening of the financial crisis in 2008 led the Federal Reserve to revive a provision found in Section 13(3) of the Federal Reserve Act to extend credit to nonbank financial firms for the first time since the 1930s, but has since been restricted. This year, I worked with Professor Yu to match Moody's DRD default records to corporate bond and firm fundamentals data to analyze the trading of bonds that default.

For my thesis, I used a subset of the data that I had been working on with Professor Yu and additional bond and credit default swap (CDS) auction data. Professor Yu motivated the idea for my thesis in his Fixed Income Class, which I took my junior spring for the Financial Economics Sequence. The FEI supports the Sequence, which is designed for students interested in pursuing careers in the financial sector or graduate programs in economics or finance. With its more quantitative finance focus, the Sequence has complemented my Economics major well. In Professor Yu's Fixed Income Class, we learned about the term structure and valuation of corporate bonds and credit default swaps. We read several news articles relating to the material we were learning, for example, engineered credit events and cases of market manipulation around the time of corporate bond default for more profitable CDS auction payouts. A CDS auction takes place after a firm defaults on one or more of its bonds that have CDS trading. The CDS auction then determines the payout from those who sold the insurance/CDS to those who own it. There is some research indicating that the current CDS auction structure is inefficient and susceptible to market manipulation.

Over the past decade, there has been an increasing number of what is called "manufactured credit events." These are a type of engineered credit event, in which a market participant, typically a hedge fund, offers a company an attractive financial incentive in exchange for the company defaulting on a some of its CDS referenced

See **A Student's Experience** on page 7

Congratulations to the FEI Summer 2019 Research Analysts:

COLEMAN CORNELL '21, Economics Major

RISHI RAJ DEVA '21, Economics and Philosophy dual major with the Financial Economics Sequence

JINYI "GRACE" JIANG '19, Mathematics and Economics with a Computer Science Sequence

BENJAMIN JIN '21, Economics-Engineering

DANIEL WANG '22, Economics and Religious Studies with a Data Science Sequence

HANNAH ZHANG '22, Economics and Mathematics

JINGCHENG "ERIC" ZHU '20, Economics and Mathematics with the Financial Economics Sequence

Congratulations to the 2019-2020 BMGI/Michael Larson Asset Management Fellows:

JOSHUA DORMAN '20, Economics and History

WILLIAM LI '21, Economics and Mathematics dual major with Sequence in Computer Science

ALEXANDER MCKENNA '20, Economics with the Financial Economics Sequence

TANISHA SHETH '20, Economics and Mathematics dual major with the Financial Economics Sequence

SIMON ALEXANDER YUNDOV '21, Economics major with the Financial Economics Sequence

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bonds, triggering a CDS auction and payout. As a result, the hedge fund who has a large CDS position receives the CDS payout. The CFTC has stated they may constitute market manipulation and undermine not only the CDS market but also the credit derivative and default markets. Although there is a plethora of news and media coverage on these publicized events, there is no previous empirical research on evidence of these practices. My thesis and research with Professor Yu is motivated by the desire to determine if there is indirect evidence of bond return manipulation around the time of default and of market

participants' attempts to favorably move CDS's underlying bond prices to achieve more profitable positions around default and emerging from CDS auctions. In my thesis, I analyze the effect of bonds' inclusion in CDS auctions on bond return volatility around the time of default while controlling for credit risk, illiquidity, firm fundamentals, and other bond-level controls. I ultimately find that bond return volatility around default is much higher as a result of a bond's inclusion in a CDS auction, which serves as indirect evidence of bond price manipulation around default as market participants strive for more profitable CDS auction outcomes and possibly of manufactured credit events. Consistent with previous literature, I also find that bond illiquidity significantly

impacts bond return volatility.

While my thesis was challenging, especially because I had to create my own dataset using many of the databases the FEI generously provides, because I was so interested in my thesis topic, had access to amazing resources at the FEI, and a great reader, I really enjoyed and learned so much from my thesis and research with Professor Yu. I am so thankful for all the opportunities I have had through the FEI. The FEI is truly what has allowed me to develop my interest in research and finance, career goals, and professional skills that I know has prepared me well for post-graduation, and I look forward to seeing how the Institute will continue to grow and help other students. ▲

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trek's participants to meet and connect with distinguished former CMC students and gain insight into a diverse array of careers.

The group's final visit was to Morgan Stanley's offices. The event was hosted by Ben Kraus '11 (Trader, Equity Derivatives), Melanie Paty '15 (Sustainable Finance Associate), Ed Reilly '98 (Chief Investment Officer), Phil Crawford '15 (Equity Derivative Sales Trading Analyst) and Scott Ashby '95 (Managing Director, Debt Capital

Markets). All five alumni shared their experiences at Morgan Stanley, and students were able to gain a deep understanding of a bulge bracket investment bank's debt capital markets, sales and trading, and equity research divisions.

The 15th annual New York City Networking Trip was a huge success. Many students spent the Friday of the trek scheduling coffee chats with professionals that they had spoken to during the trip. Additionally, five CMC sophomores attended informational interviews hosted by Rosabella Magat '12 (Investment

Banking Associate) at Greenhill & Co. The interviews served as precious opportunities for interested students to learn more about the boutique bank Greenhill.

Many thanks must be given to the Robert Day Scholars Program, the Financial Economics Institute, the CMC Alumni and Parent Relations Office, the CMC Alumni Association, the RDS Advisory Board, and all alumni hosts at the firms for their generous contributions that made this trip possible. ▲

Spring 2019 Financial Economics Sequence and BA/MA Oral Defense Presentations

THE FINANCIAL ECONOMICS Sequence and BA/MA in Finance are both parts of the Robert Day School of Economics and Finance at Claremont McKenna College. These curricula are designed for students interested in pursuing careers in the financial sector and/or subsequent 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. 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.

The BA/MA provides additional depth in finance that results in the awarding of the Masters degree as well as the BA after the student completes their four years of study at CMC. After completing prerequisite courses in economics, corporate finance and accounting, students complete 9 units of Masters-level finance along with a seminar in research methods, and they write and defend a finance thesis. Students admitted to the BA/MA program are Robert Day Scholars.

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

JARED BARCLAY, BA/MA

Golden Years: Gold Mining Equity Returns After Introduction of the All-In Sustaining Cost Metric

“Previous empirical studies show that returns on gold mining equities are positive and statistically significantly related to changes in the price of gold. However, these studies fail to examine operational factors that may provide further explanatory power to gold mining equity returns. Examining

quarterly gold mining equity returns, All-In Sustaining Cost and gold production results between 2013 and 2018, I find that there exists a positive and statistically significant relationship between changes in gold mining equity returns and the price of gold and a negative and statistically significant relationship between lagged changes in All-In Sustaining Cost and gold mining equity returns. My findings suggest that investors must be cognizant of cost metrics when seeking gold exposure through gold mining equities.”

HA YUN “CHLOE” CHO, BA/MA

Does managerial risk-taking incentives for R&D investments translate to future earnings?

“The convex pay-off structure of executive stock options (ESO) incentivizes CEOs to increase their firm stock-return volatility, thereby increasing their wealth in option portfolio. In this paper, I address two research questions. I first test if this managerial incentive induces executives to take on more risky projects in R&D that increases stock-return volatility, hence, boosting their personal wealth. I derive vega to measure managerial incentive, and vega is a dollar change in ESO for a 0.01 change in stock-return volatility. I find that there is a positive and statistically significant relationship between vega and R&D investment, which suggests that managers whose wealth is closely tied to stock options are more incentivized to invest in risky R&D projects to increase their wealth and stock-return volatility. This result is statistically significant and robust after adjusting for inflation and controlling for firm and industry-fixed effects. With this finding, I proceed to test if managerial risk-taking incentive for R&D investments translate to future earnings. Lev and Sougiannis (1996) establish that future earnings is a function of both tangible and intangible assets, and R&D increases with firm’s subsequent earnings. Since R&D spending changes with managerial incentive, I test if the interactive variable of vega and

R&D has a positive effect on firm’s future earnings. I find that managerial incentive for undertaking R&D investments has a positive and statistically significant association with future earnings under industry-fixed effects specifications. When controlling for firm-fixed effects, the result yielded similar results to that of industry-fixed effects, but with less statistical significance. Lastly, for robustness check, I run the regression with a balanced panel data of tenured-CEOs, who stay with the firm for five years. I find that the result is positive and statistically significant for industry-fixed effects. However, for firm-fixed effects, I only find statistical significance at year $t+k$ ($k=3$). This suggests that the realization of R&D investment to future earnings is not prevalent throughout all years when R&D decisions are made by incentivized, long-standing CEOs.”

MACKENZIE COONEY, FES

Yield – Curve Momentum

“It has been twelve years since the last time the yield curve was inverted. Since 2017, the yield curve has been continuing to flatten and has almost entered an inverted state. The last five recessions have been preceded by the inversion of the yield curve. I examine momentum trading strategy’s ability to outperform during an inverted yield curve state. The yield curve can enter the momentum portfolio strategy through the portfolio’s formation and holding period. I document the increased performance of the momentum strategy’s total portfolio return in an inverted state. These results have implications on the timing a momentum trading strategy might be implemented.”

MATTHEW DARUTY, FES

The Fall of the 10-K Report: Measuring the Impact of Accounting Ratios on Financial Performance

“The annual 10-K report has historically been the most important aspect in assessing the position of a publicly

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held company. However, as the flow of information has increased with the dawn of new technologies, less and less attention has been paid to these audited financial statements. In order to assess if investors are still reacting to the information contained in the annual report, this paper examines the relationship between accounting ratios and stock price in banks traded on United States stock exchanges. By examining accounting ratios instead of simply looking at Earnings Per Share, new information was revealed regarding what aspects of the annual report investors react to. Ratios that incorporate information that is difficult to predict, such as leverage or allowance accounts were more likely to affect a stock's performance, while those that contained information that is more readily available from other sources had less of an effect."

JOHN EVERETT, FES***Passive Investing's Implications for Actively Managed Funds***

"In theory, as a greater share of capital is invested passively rather than actively managed, stock prices will be freer to diverge from fair value, resulting in marginally less efficient equity markets. The effect should be an amplification of managerial skill, which manifests itself in the tails of α distributions. I find evidence that mutual fund α distributions differ increasingly as a function of the share of assets invested in passive vehicles. However, I find no evidence that the "tailedness" of the distributions increases as a function of the share of assets invested passively. This may be a result of the limited sample size, or it may be that higher levels of passive share are required for this effect to materialize."

ROMA FOREST, BA/MA***Value of Corporate Political Ties in Southeast Asia***

"Utilizing the random effects model and Faccio (2010)'s methodology for classifying political connections, I find that politically connected Southeast Asian firms tend to have higher taxes and accounting performance than non-politically connected firms. The type of connection matters, with

state-ownership producing the strongest benefits for market share. Contingent country-level variables, such as the economy, corruption, and the legal environment, also influence the value of corporate political ties. I find that Faccio (2010)'s results are likely more economically important than mine, even when controlling for the panel data effect."

JENNIFER MACE, FES***Are CDS Auctions the Tail Wagging the Dog? An Empirical Study of Corporate Bond Return Volatility at the Time of Default***

"Over the past decade, numerous engineered credit events and cases of market participants manipulating bond prices to influence CDS auction payouts have occurred. These cases have become increasingly common, and the CFTC has stated they may constitute market manipulation and undermine not only the CDS market but also the credit derivative and default markets. Although there is a plethora of news and media coverage on publicized cases, there is no previous empirical research on evidence of these practices. This paper is motivated by the desire to determine if there is indirect evidence of bond price manipulation around default and of market participants' attempts to favorably move CDS's underlying bond prices to achieve more profitable positions around default and emerging from CDS auctions. The analysis is performed by analyzing the effect of a bonds' inclusion in CDS auctions on bond return volatility around the time of default while controlling for credit risk, illiquidity, firm fundamentals, and other bond-level controls. I find that bond return volatility around default is much higher as a result of a bond's inclusion in a CDS auction, which serves as indirect evidence of bond price manipulation around default as market participants strive for more profitable CDS auction outcomes and possibly of manufactured credit events. Consistent with previous literature, I also find that bond illiquidity significantly impacts bond return volatility. My results are robust to propensity score matching, implementing double-robust estimators, and controlling for any time-varying cross-

sectionally-invariant fluctuations in bond return volatility."

ALEXANDER MALMLUND, FES***The Financial Incentives to Adopting Corporate Social Responsibility and Socially Responsible Investing Practices***

"As corporate social responsibility and socially responsible investing practices have increased substantially over the past decade, the possible financial advantages have been examined in great depth. Utilizing firms from the S&P 500 I have investigated the possible outperformance of accounting based and market based measures. I did this by examining the relationship between ESG scores, a common measure of CSR level, and the following dependent variables: return on assets, total risk, systematic risk, and idiosyncratic risk. I obtained strong evidence that an increase in CSR levels are correlated with an increased return on assets."

NIKOLAS PAPAGEORGIOU, FES***M&A Performance: Market's Initial Reaction as an Unbiased Indicator or Post-acquisition Performance***

"This paper investigates the reliability of the stock market's initial reaction to M&A announcements as a predictor of actual post-acquisition performance. The two prevailing methods for evaluating M&A performance are event studies (stock market-based measures) and accounting-based measures. The present study combines these two performance evaluation approaches in a single empirical examination. Both the post-merger buy-and-hold abnormal returns and changes in ROA are used as actual post-acquisition performance variables. The acquirer's cumulative abnormal return (CAR) around the announcement is used as the market predictor variable. An econometric model is employed to test the predictive power of the announcement-period CAR on the actual performance variables using a sample of 3,208 acquisitions by U.S. public companies from 2010 to 2014. This paper's main contribution lies both in its methodology and its findings: on the one hand, long-term market and accounting variables are used as dependent

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variables measuring post-acquisition performance. On the other hand, this paper finds that short-term CAR is not a good predictor of subsequent M&A performance. The results suggest that the acquirer's prior M&A experience is a positive predictor of post-acquisition performance."

LAN NGOC PHONG PHAN, FES

Voluntary Disclosure of Non-Financial Key Performance Indicators during Earnings Releases

"Almost two decades after the burst of the Dot-com bubble, investors are opinionated as to whether a new technology bubble has formed in the equities market. Similar to the late 1990's and early 2000's, many Internet firms today go through initial public offering without yet turning over a dollar of earnings, but boast certain revenue-associated performance metrics to investors promising of future success. However, investors are known to hold sentiments sensitive to earnings announcements (Seok, Cho & Ryu, 2019) and reward firms which meet or beat earnings with higher stock returns (Bartov, Givoly & Hayn, 2002). That raises a question on the content of earnings announcements: Besides earnings and cash flow, are there other factors that may influence investor decisions to trade some Internet stocks?

My primary hypothesis is that the voluntary disclosure of specific non-financial key performance indicators (NFKPI) during earnings announcement by Internet firms influences the investors' investing/trading decisions. My motivation for this research is to understand better whether there is a strategic element in the voluntary disclosure of NFKPI in Internet companies and how it may impact investors' decisions. The results could be useful to firms in their evaluations of whether to release NFKPI or similar information and to equity research analysts as well as investors in measuring their expectations and valuations of the firms' stocks. The intention of the study is not to generalize the findings to the full market, as the number of companies with the practice of voluntary disclosure of NFKPI is comparatively few compared to those

without the practice. Instead, this study examines the effects of NFKPI on the stock returns of those companies which choose to disclose it.

I use event study methodology to test the statistical significance of disclosure of NFKPIs during earnings announcements. By controlling for earnings surprise and other meaningful financial ratios, I also examine how the signaling effect of NFKPI could be distinguished from the signaling effects of important information concurrently released during earnings announcements. I focus on two types of NFKPI within the Internet industry: Gross Bookings for online booking agency services and Daily Active Users for social media. As earnings reports and quarterly filings often do not necessarily come together on the same date, I hand-collected data to estimate the surprise effect of NFKPI per earnings announcement, by using available broker forecasts of the respective NFKPI as a proxy for the investor's NFKPI expectation.

The results show that while revenue surprise remains consistently the most influential variable to investors, NFKPI Surprise has a positive, statistically significant relationship with the firm's abnormal returns. Additionally, despite being insignificant when expected earnings is beat or in line with consensus, NFKPI Surprise is found statistically significant with a positive relationship to abnormal returns when expected earnings is missed. In line with existing research on management's motivation to prevent negative earnings surprises (Matsumoto, 2002), these findings imply that if firms could employ the voluntary disclosure of NFKPI to manipulate investors' impression and to cushion their stock prices against potential negative market reactions when earnings is missed."

JOHN SAVARD, FES

Abnormal Returns around Lock-Up Expiration Date and the Explanatory Power of Insider Trading for Technology Firms

"This paper examines the lockup expiration date event for technology firms post Global Financial Crisis to investigate the existence of abnormal returns around

this date and determine the explanatory power that insider trading and the increase in available shares have on the abnormal return. Contributions to literature include using an updated sampling, targeting the technology industry, and constructing unique variables such as the dollar value of insider trades around the lockup expiration date. There exists statistically significant three-day cumulative abnormal returns of -1.33%. Firms with higher percentages of insiders who sell their positions tend to experience a further decrease in cumulative abnormal returns (CAR). The supply effect of these shares being opened to the market is not significant at the 95% confidence level. Thus, insider trading rather than increased supply accounts for variations in the abnormal returns across technology firms."

JOSEPH SCHEUER, FES

Growing Earnings Response Coefficients: Are analysts getting smarter, or are investors getting lazy?

"This paper investigates a potential cause of the observed growth in the magnitude of earnings response coefficients over time since 2001. I hypothesize that the growth is explained by increasing investor reliance on Wall Street analyst earnings per share ("EPS") estimates to form their next-period EPS expectations. To test my hypothesis, I regress 3-day cumulative abnormal market returns following earnings announcements on an interaction term between the earnings surprise and the number of analyst EPS estimates along with several control variables. I ultimately find no evidence of increasing investor reliance on Wall Street analyst estimates. Furthermore, I fail to replicate the results of prior literature that found an upward trend in earnings response coefficients over time from 2001 to 2011. These contradictory results merit further investigation in future research."

PATRICK THOMAS, FES

Financing Method and Abnormal Returns in Corporate Mergers and Acquisitions

"This study analyzes the impact

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of merger and acquisition financing method on buyer cumulative abnormal returns. The model builds on findings in previous literature by including deal structure variables, company variables, industry variables, time variables, and post-acquisition announcement return data from 2000 to 2018. The analysis does not find a statistically significant relationship between cash plus debt/stock financing and cumulative abnormal returns. However, significant coefficients for buyer and target industry suggest that deal structure varies and ultimately effects cumulative abnormal returns within specific industries. Additionally, significant results for buyer profitability and time variables provide insight on how the financial market interprets synergy realization and economic crises in relation to security valuation and the mergers and acquisitions market.”

SIRAN “SYLVAN” ZHANG, FES***The Predictive Power of the VIX Futures Prices on Future Realized Volatility***

“Many past literatures have examined the predictive power of implied volatility versus that of historical volatility, but they have showed divergent conclusions. One of the major differences among these studies is the methods that they used to obtain implied volatility. The VIX index, introduced in 1993, provides a model-free and directly observable source of implied volatility data. The VIX futures is an actively traded VIX derivative product, and its prices are believed to contain market’s expectation about future volatility. By analyzing the relationship between the VIX futures prices and the realized volatilities of the 30-day period that these VIX futures contracts cover, this paper finds that the VIX futures contracts with shorter maturities have predictive power on future realized volatility, but they are upwardly biased estimates. The predictive power, however, decreases as the time to maturity increases. The outstanding VIX futures contracts with the nearest expiration dates outperform GARCH estimates based on historical return data at predicting future realized volatility.” ▲

Claremont Finance Conference

By Joshua Dorman '20, Director of Events, Student Investment Fund

THIS FEBRUARY, THE FINANCIAL Economics Institute, the Student Investment Fund, and Sagehen Capital Management hosted the 5th annual Claremont Finance Conference. On Friday, February 15th, dozens of students and faculty attended two main events designed to provide attendees with valuable insight into today’s financial markets and offer an opportunity to learn about a variety of investment strategies and products.

This year, the Conference included an afternoon panel covering the topic of Private Equity and Credit Investing, followed by an evening dinner reception and discussion concerning Finance Fundamentals and the Efficient Markets Hypothesis. The afternoon panel was given by Luke Redfern (VP at Endeavour Capital and CMC '08), Matt Thompson (Senior VP at Skyview Capital and Pomona '96), Munir Alam (Founder of Sentinel Dome Partners), and Bradford Cornell (Professor Emeritus at UCLA Anderson). CMC Professor Eric Hughson (Chair of the Robert Day School Faculty) moderated the discussion. The panel began with an overview of each speaker’s background and current role, as well as a description of a recent deal each individual had completed. Mr. Alam discussed how he, as the founder of a private credit shop, often seeks higher margins of safety but lower returns than do Mr. Redfern and Mr. Thompson, who both work at private equity firms. Next, all participants provided the audience with their thoughts on the future of the industry, with several predicting elevated company valuations for some time to come. Later on, Professor Cornell showed the audience a spreadsheet containing a model from his recent paper detailing new debt strategies private equity firms are employing to seek robust returns at higher entry valuation levels. Directly following the demonstration, Professor Cornell, Mr. Alam, and Mr. Redfern engaged in a lively debate about whether the private equity and credit industry exhibits characteristics that support the Efficient Markets

Hypothesis. Overall, the afternoon panel discussion provided attendees with the opportunity to hear a diverse array of perspectives on the private investment space and gain valuable insight into the typical roles of employees in the industry.

Following the Private Equity and Credit Panel, the CMC Athenaeum hosted the evening’s dinner reception and presentation, with Professor Bradford Cornell serving as the event’s keynote speaker. In his talk, Dr. Cornell discussed the history of the Efficient Markets Hypothesis, the Grossman-Stiglitz Critique, and the Sharpe Arithmetic. To start, Professor Cornell reviewed how the rationale underlying the Efficient Markets Hypothesis relies on the assumption that all information is available to investors, and that the price of a stock reflects all accessible data. Additionally, he stressed the importance of properly diversifying one’s portfolio of stocks, noting that the stock market’s prices already reflect implicit diversification. Next, Professor Cornell discussed the Grossman-Stiglitz Critique, and explained how the theory claims that markets must be sufficiently inefficient or else all active managers (who have substantial management expenses) would have already disappeared. Finally, Dr. Cornell explained how Sharpe reasoned that active investors and passive investors must aggregately earn the market’s rate of return. To do so, he walked the audience through a simple example showing that, if passive investors’ returns match market performance, then active investors’ gross returns must also match the market’s, but that their net returns must be less. Importantly, Dr. Cornell argued that the recent trend towards passive investing could eventually cause liquidity to dry up and hinder proper portfolio allocation. He concluded his talk by answering questions from students.

The Student Investment Fund would like to acknowledge the generous contributions from the Financial Economics Institute and all speakers that made this event possible. ▲

Where will students be working?

Financial Economics Sequence and BA/MA Seniors:

JARED BARCLAY (BA/MA), Investment Banking Analyst, **Citi**, Los Angeles, CA

HA YUN "CHLOE" CHO (BA/MA), Economic Consultant, **Edgeworth Economics**, San Francisco, CA

MACKENZIE COONEY (FES), Associate, **KPMG Advisory**, Chicago, IL

MATTHEW DARUTY (FES), Audit Associate, **KPMG**, Irvine, CA

NICHOLAS DEGALLIER (BA/MA), Investment Banking Analyst, **Harris Williams & Co.**, San Francisco, CA

YUTAO "JAMES" JIANG (BA/MA), Global Markets Analyst, **J.P. Morgan**, Singapore

JAMES KENEALLY (FES), Technology, Media & Entertainment, Telecom Consultant, **FTI Consulting**, Los Angeles, CA

JACK LORI (FES), Credit Ratings Analyst, **S&P Global**, New York, NY

LOGAN MILLER (FES), Analyst, **Wells Fargo – Real Estate Syndicated Finance Group**, San Francisco, CA

CHARLES NOVOGRADAC (BA/MA), Analyst, **Piper Jaffray**, San Francisco, CA

LAN NGOC PHONG PHAN (FES), Investment Banking Analyst, **Citi**, San Francisco, CA

JOHN SAVARD (FES), Sales, **Snowflake Computing**, San Francisco, CA

KRYSTAL SUNG (FES), Associate, **Ankura Consulting Group, LLC**, Los Angeles, CA

SIRAN "SYLVAN" ZHANG (FES), Global Markets Analyst, **J.P. Morgan**, Hong Kong SAR, China

Financial Economics Sequence and BA/MA Juniors – Summer Positions:

JACOB BAIN (BA/MA), Hospitality Capital Markets Intern, **Newmark Knight Frank**, New York, NY

SAMUEL GARVIN (BA/MA), Finance Development Program, **Apple**, Cupertino, CA

YIPING "SARAH" LU (BA/MA), Data Analyst and Modeling Intern, **China Minsheng Bank**, Beijing, China

PHOEBE MADSEN (BA/MA), Investment Banking Summer Analyst, **Goldman Sachs**, Los Angeles, CA

CHARLES MANGUM (FES), Investment Banking Summer Analyst, **Wells Fargo**, San Francisco, CA

NICHOLAS PIBL (FES), Investment Banking Summer Analyst, **Perella Weinberg Partners**, Los Angeles, CA

LUDE RONG (FES), Outbound Logistics Technology Intern, **Tesla**, Fremont, CA

COLTON SMITH (BA/MA), Summer Analyst, **Intrepid Investment Bankers (MUFG)**, Los Angeles, CA

2018-2019 BMGI/Michael Larson Asset Management Fellows Post Graduation Employment and Summer Internship Information

JOHN EVERETT '19, Investment Banking Analyst, **Moelis & Company**, San Francisco, CA

ROMA FOREST '19, Investment Group Information Resources Associate, **Capital Group**, Los Angeles, CA

REEVE GROBECKER '19, Fixed Income Research Associate, **Dodge & Cox**, San Francisco, CA

JIA JIAN "BLAZE" LI '19, Investment Banking Analyst, **Goldman Sachs**, New York, NY

JENNIFER MACE '19, Investment Research Analyst, **Boston Partners**, Boston, MA

ALEXANDER MCKENNA '20, Investment Banking Summer Analyst, **Moelis & Co.**, San Francisco, CA

JOSEPH SCHEUER '19, Investment Banking Analyst – Financial Restructuring & Special Situations, **Miller Buckfire & Co.**, New York, NY

TANISHA SHETH '20, Investment Banking Analyst, **Bank of America Merrill Lynch**, Los Angeles, CA

FEI Affiliated Faculty Research

Selected 2018-2019 publications by faculty members affiliated with the FEI:

- ▶ “Chinese Liquidity Effects on the Australian Macroeconomy, 2002–2017,” **Richard C.K. Burdekin**, and Ran Tao, *Applied Economics*, forthcoming
- ▶ “Macroeconomic Drivers of Chinese ADRs: Home Country vs. US Effects,” **Richard C.K. Burdekin**, with Junjie Zhang, *The Chinese Economy*, Vol. 52, No. 4 (July–August 2019), pp. 342–357
- ▶ “Deflationary Pressures Today: The Chinese, Japanese and Spanish Cases Compared,” **Richard C.K. Burdekin**, with research assistance provided by Xinyi Hu’19, *The Chinese Economy*, Vol. 51, No. 6 (November–December 2018), pp. 471–482
- ▶ “NBA Player Outcomes Following the Implementation of the ‘One-and-Done’ Rule: Do Top Players Really benefit from Attending College First?” **Richard C.K. Burdekin**, with Cameron Van, *Journal of Sports Economics and Management*, Vol. 8, No. 3 (2018), pp. 137–149
- ▶ “Quantifying the Impact of the November 2014 Shanghai-Hong Kong Stock Connect,” **Richard C. K. Burdekin**, and Pierre L. Siklos, *International Review of Economics and Finance*, Vol. 57 (September 2018), pp. 156–163
- ▶ “The Performance of Global Film Franchises: Installment Effects and Extension Decisions,” **Darren Filson**, and James H. Havlicek ’14, *Journal of Cultural Economics* 42:3 (August 2018): 447–67
- ▶ “The Impact of Large Tax Settlement Favorability on Firms’ Subsequent Tax Avoidance,” **Andrew R. Finley**, *Review of Accounting Studies* 2019, 24 (1): 156–187
- ▶ “Employee Movements from Audit Firms to Audit Clients,” **Andrew R. Finley**, Mindy (Hyo Jung) Kim, Phillip T. Lamoreaux, and Clive S. Lennox, *Contemporary Accounting Research*, forthcoming
- ▶ “The Information Content of Releasing the Deferred Tax Valuation Allowance,” **Andrew R. Finley**, and Anthony Ribal, *Journal of American Taxation Association*, forthcoming
- ▶ “Without Looking Closer, it May Seem Cheap: Low Interest Rates and Government Borrowing,” **Julio Garin** with Rob Lester, Eric Sims, and Jonathan Wolff, *Economics Letters*, Vol. 180, Jul 2019, 28–32
- ▶ “Are Supply Shocks Contractionary at the ZLB? Evidence from Utilization-Adjusted TFP Data” | NBER WP, **Julio Garin** with Rob Lester and Eric Sims, *The Review of Economics and Statistics*, Vol. 101, Issue 1, Mar 2019, 160–175
- ▶ “The Opportunity Cost(s) of Employment and Search Intensity,” **Julio Garin** with Rob Lester, *Macroeconomic Dynamics*, Vol. 23, Issue 1, Jan 2019, 216–239
- ▶ “Private provision of public goods by environmental groups,” **Laura Grant** and Christian Langpap, *Proceedings of the National Academy of Sciences*. 2019 Mar 19; 116(12):5334–40
- ▶ “The Great Recession and a Missing Generation of Exporters,” **William Lincoln**, with Andrew McCallum and Michael Siemer, *IMF Economic Review*, forthcoming
- ▶ **The AI Delusion**, **Gary Smith**, 2018, Oxford: Oxford University Press, ISBN 978-01-9882-430-5. Translated into Korean.
- ▶ **The 9 Pitfalls of Data Science**, **Gary Smith**, and Jay Cordes, 2019, Oxford: Oxford University Press, ISBN 978-01-9884-439-6.
- ▶ “Companies are Seldom as Good or as Bad as They Seem at the Time,” (2018) **Gary Smith** in Guzman, M. Ed. *Toward a Just Society: Joseph Stiglitz and Twenty-First Century Economics*, Columbia University Press, 95–110
- ▶ “Another Look at Dollar Cost Averaging,” **Gary Smith**, Heidi Margaret Artigue, (2018), *Journal of Investing*, 27 (2) 66–75
- ▶ “Effects Of A 12-week Cycling Training Program On Clinical Parameters In Patients With Parkinson Disease,” Zinta Zarins, **Gary Smith**, and Robert Sallis (2018), *Medicine & Science in Sports & Exercise*. 50 (5), 490
- ▶ “Step Away From StepWise,” **Gary Smith** (2018), *Journal of Big Data*, 5: 32 <https://doi.org/10.1186/s40537-018-0143-6>
- ▶ “Overreaction in Football Wagers,” **Gary Smith** and Andrew Capron (2018), *Big Data*, 6 (4), 262–279 <https://doi.org/10.1089/big.2018.0036>
- ▶ “Stock Splits: A Re-Evaluation,” **Gary Smith** (2019), *Journal of Investing*, 28 (4) 21–29
- ▶ “Be Wary of Black Box Trading Algorithms,” **Gary Smith** (2019), *Journal of Investing*, forthcoming
- ▶ “The Principal Problem with Principal Components Regression,” Heidi Margaret Artigue, **Gary Smith** (2019), *Cogent Mathematics & Statistics*, 6 (1)
- ▶ “Entrepreneurial Finance: Venture Capital, Deal Structure, and Valuation,” **Janet Kiholm Smith** and Richard L. Smith, (2019) *Stanford University Press*, 2d Ed
- ▶ “The Impact of Trade Reporting and Central Clearing on CDS Price Informativeness,” **Fan Yu**, with Miriam Mara and Lu Zhu (2019), conditionally accepted, *Journal of Financial Stability*
- ▶ “Property Investment and Rental Rate under Housing Price Uncertainty: A Real Options Approach,” **Fan Yu**, with Honglin Wang and Yinggang Zhou (2018), *Real Estate Economics*, forthcoming
- ▶ “Modeling Municipal Yields with (and without) Bond Insurance,” **Fan Yu**, with Albert Lee Chun, Ethan Namvar, and Xiaoxia Ye (2018), *Management Science*, forthcoming
- ▶ “Analysis of Stigma and Bank Credit Provision,” **Angela Vossmeier**, with research assistance provided by Amy Ingram ’17, *Journal of Money, Credit and Banking*, (2019) 51: 163–194
- ▶ “The Quality of Banks at Stigmatized Lending Facilities,” Sriya Anbil and **Angela Vossmeier**, *AEA Papers and Proceedings*, (2019) 109: 506–10
- ▶ “Estimation and Applications of Quantile Regression for Binary Longitudinal Data,” Arshad Rahman and **Angela Vossmeier**, 2019, *Advances in Econometrics*, forthcoming

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- ▶ “Systemic Risk and the Great Depression” won the award for the Best Paper on *Financial Institutions at the Western Finance Association’s annual conference*, **Angela Vossmeier**, with research assistance provided by Bhavika Booragadda ’18, Lorraine Zhao ’21, Tanisha Seth ’20, Krystal Sung ’19, Laira Aggarwal ’19, and Hunter Olsen ’18.
- ▶ “Most Speculative Attacks Don’t Succeed: Currency Crises, and Currency Crashes,” **Thomas D. Willett** with Hassan Almahmood and Munif Al Muniyif, *Journal of International Commerce, Economics, and Policy*, Vol 9, no.1, 2018, pp.1-9
- ▶ “Safe Haven or Contagion?: The disparate effects of the euro-zone crises on non euro-zone countries,” **Thomas D. Willett** with Graham Bird, Wenti Du, and Eric Pentecost, *Applied Economics*, forthcoming
- ▶ “Was it different the second time around?: An empirical analysis

of contagion during the crises in Greece 2009-2015,” **Thomas D. Willett** with Graham Bird, Wenti Du, and Eric Pentecost, *The World Economy*, forthcoming

- ▶ “Capital flow reversals, sudden stops, and international reserve adequacy,” **Thomas D. Willett** with Levan Efremidze and Ozan Sula, *International Journal of Financial Research*, No. 1, 2019, pp 53-67
- ▶ “Capital controls and currency crises: A more disaggregated political economy approach,” **Thomas D. Willett** with Eric Chiu, *Emerging Markets Trade and Finance*, forthcoming
- ▶ “International Capital Flows and the Independence of China’s Monetary Policy,” **Thomas D. Willett** with Yanzheng Wang and Xiumin Li, *The Chinese Economy*, forthcoming
- ▶ “China’s Global Interdependence,” **Thomas D. Willett** guest co-editor with **Richard C.K. Burdekin**, special issue of *The Chinese Economy*

Director’s Report from page 1

Sagehen and Scripps were recognized for the quality of their presentations. BMGI updated the terms for the Summer interns program, which had not been adjusted for quite some time, to make it more competitive with outside opportunities. The result was the largest number of applicants in several years, and a very strong team of seven students currently working in the Lab for 8 to 10 weeks. Finally, we once again had a highly qualified group of applicants for the 2019-20 BMGI Fellowship, and five students were selected as recipients.

Of course, we continued our usual programming. The nearby article summarizes this year’s networking trip to

NYC. At the Athenaeum, we had Professor Brad Cornell, of Cal Tech/UCLA speak about *The Conceptual Foundations of Investing*, and co-sponsored with the Center for Innovation and Entrepreneurship and the Lowe Institute of Political Economy a talk by Professor David Yermack of NYU, who spoke about *Are Initial Coin Offerings Here to Stay?* Professor Cornell’s talk was also part of the SIF Claremont Finance Conference, sponsored by the FEI, which featured a panel on Private Equity and Credit Investing in addition to the Athenaeum talk. See the write-up nearby. We continue to support a large number of databases and provide access in the Lab for Senior Thesis students and in labs across campus to all students for high profile sources such as Bloomberg and

Capital IQ. We also support this access with tutors available to all students. We continue our support for the Students Investment Fund, providing data access, support for their recruiting, training, and other events, and support and oversight via the FEI Associates.

Two final notes. First, as always, Nancy Faust did a wonderful job running the Lab and keeping the very large number of programs and events we run on track. It’s a ton of work, and she does it all with great efficiency and cheer. Thank you, Nancy. Finally, we are delighted to announce that our new website is now on line. It is still at the same web address, so check it out at <https://financial-economics-institute.org/>. ▲

The mission of the Financial Economics Institute is to provide unique research, curricular and extracurricular opportunities engaging the Claremont Colleges in both the theory and practice of financial economics. The FEI administers three programs directed at these objectives. First, the FEI supports collaborative, advanced student/faculty research in financial economics and overlapping disciplines. Second, the FEI oversees the Financial Economics Sequence, a unique curriculum grounded on rigorous quantitative courses in a liberal arts context, preparing students for career opportunities in finance. Third, the FEI sponsors activities for the broader community, including oversight of the Student Investment Fund, provision of databases, space and hardware for multiple purposes, and support for conferences, workshops, internships, networking trips and other events.



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