The Exchange

NEWS FROM THE FINANCIAL ECONOMICS INSTITUTE AT CLAREMONT MCKENNA COLLEGE

VOLUME 12, SPRING 2011

Director's Report

by Eric Hughson

Eric Hughson

THIS YEAR WAS the eighth year for the FEI. The FEI is the finance research arm of the Robert Day School of Economics and Finance, providing data and research support for faculty, and more importantly, providing research experience for students. There are currently 88 students in the Financial Economics Sequence: 22 seniors, 35 juniors, 22 sophomores, and 9 freshmen.

Usually, we have FEI students summarize the public lectures of finance academics for the newsletter, and this year is no different. In this issue, Sara Reed will summarize Jonathan Berk's talk about the implications of economic theory for managerial performance in the mutual fund industry. What I would like to do is highlight some of the research our students are doing.

I would like to begin with the student who won the award for best thesis in financial economics, Kaitlyn Desai. It is well known that store gift cards sell at a discount relative to face value on the secondary market. In her thesis, Kaitlyn identifies the determinants of this discount. One obvious reason that the cards sell at a discount is that the stores that issue them sell similar goods at higher prices than can be obtained elsewhere. But even after accounting for that, the puzzle remains. What Kaitlyn finds is that the differences in discounts across retailers can be partially explained by the different risks that these retailers have of going bankrupt. In bankruptcy, there is both a possibility that the retailer will no longer honor the gift cards and also a possibility that the selection of merchandise available will be limited. One seeming problem with this explanation is that if a retailer is currently not bankrupt and its cards were selling at a significant discount then somebody could buy the cards on the secondary market and immediately use them. This should push the price of the gift cards up, and bankruptcy risk should no longer matter.

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In This Issue:

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.

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But Kaitlyn argues convincingly that bankruptcy risk should be a problem anyway. This is because these cards are held for a significant time by middle-men such as *Plastic Jungle*. If *Plastic Jungle* cannot re-sell the cards right away, there is a possibility that a retailer will go bankrupt during the time *Plastic Jungle* is holding the cards. To reduce the risk that *Plastic Jungle* is left holding worthless plastic, it discounts the cards so that they sell more quickly, and the discounts are higher when retailers are in financial distress. This is a nice contribution, and we hope that because she will have so much free time as an Analyst at Deutsche Bank, Kaitlyn decides to devote more effort to publish the paper.

Another nice thesis this year was Scott Yingling's investigation of the personal stock transactions of U.S. Senators. It is not well known that U.S. Senators are exempt from insider trading regulations. Further, it is clear that senators can have private information that can affect firm value. The motivating example Scott uses is the anecdote that Dick Durbin supposedly sold stocks after attending a closed-door meeting in September 2008 where he learned that the financial crisis was worse than expected. Indeed, Congress is aware of the problem, and legislation has been introduced to halt congressional trading on inside information.

Perhaps surprisingly, Scott finds that senators do not make abnormally large profits on their trades after accounting for risk. This is true even for senators who leave office, so that there is no need for them to eschew insider trading in order to be reelected. But he postulates that the reason for the non-result is that measuring abnormal returns for congressional trades is difficult because congressmen are not required to report either the magnitudes of their trades or the day those trades are made. To really address whether or not congressmen profit from their insider information through trading requires that they report exactly when and how much they trade.

> *"Thanks to a partnership with the Robert Day School, we have been able to expand not only practice interviewing, but also student networking trips."*

On the teaching front, we will begin teaching Econ 194, Investment Management, next fall. This course is built around the CMC Student Investment Fund and is designed to give students a practical experience in valuation and asset allocation—with some academic content. Our new videoconferencing equipment has been installed, and we will be contacting some of you in the near future to ask if you would help us with evaluating student investment pitches.

Thanks to a partnership with the Robert Day School, we have been able to expand not only practice interviewing, but also student networking trips. We now sponsor three trips: one in Los Angeles in the spring geared to sophomores looking to learn about jobs available in finance; another in Los Angeles in the early autumn, and our January New York Trip. This is helpful because the New York trip has served as a springboard for junior student interviews for internships, and sophomores had been crowded out. We are hoping that the additional exposure will help our students be more competitive for internships as well as for full-time employment. This year, at least, students have been more successful at securing internships in finance than they had been in previous years. ▲

Congratulations to the FEI Summer 2011 RAs:

VIKEN DOUZDJIAN '13, Economics/Mathematics major

STACIE HETTRICK '13, Economics/International Relations major

NIKHIL LEDLIE '13, Economics/Mathematics major

BENJAMIN PYLE '13, PPE/Mathematics major

YIJING (ARTEMIS) SHEN '13 (Scripps), Mathematics and Economics major

HAO TANG '12 (Pomona), Economics major

SAMUEL WONG '13, Mathematics/Economics major

2011 New York City Networking Trip

By Scott Yingling '11, FEI Student Research Analyst

DURING THE WEEK OF JANUARY 10, 2011, the Financial Economics Institute sponsored the eighth annual New York City Networking Trip, which provided an extraordinary learning experience for fourteen juniors and three seniors.

This was the second year that the trip was organized by students. The student-run committee was comprised of a group of three seniors and one junior: Kaitlyn Desai '11, Nathan Doctor '11, Scott Yingling '11, and Jeff McNerney '12. The students met on a weekly basis to organize everything ranging from firm visits to networking events.

During the week, the students visited eight firms including: Deutsche Bank, J.P. Morgan, Morgan Stanley, Royal Bank of Canada, Wells Fargo, Deloitte Consulting, CitiGroup, and Goldman Sachs. In addition, they attended an opening cocktail party, an alumni reception dinner, and a young alumni panel.

The week in NYC began with an introductory cocktail reception that was hosted by Alan Delsman '68 at his home in Brooklyn Heights. At the reception, students had hors d'oeuvres with several CMC alumni working in the field of finance.

On Tuesday morning, the students enjoyed breakfast with Scott Ashby '95 at Morgan Stanley. Mr. Ashby discussed his role as managing director, how the MS firm culture is different from other investment banks, and how a position in Debt Capital Markets is unique from other jobs within an investment bank. This discussion included Morgan Stanley's recent role in the government's regulatory changes. The students also enjoyed speaking with an analyst panel, where they asked questions about the transition from college to the first years on Wall Street.

Next, students visited Deutsche Bank's Credit Risk Management Department and had lunch with Alan Delsman '68, Managing Director; Rich Ferguson '80, Managing Director, Treasurer—Americas; Tejas Gala '09, a market risk management analyst; and Zain Jamal '10, credit risk management analyst. The students discussed the role of risk management in an investment bank and how to evaluate this risk, especially in the current economic environment.

In the afternoon, the students visited Citi and met with Doug Peterson '80, COO of Citibank. He gave the students a broad overview of Citigroup and spoke about his career path and international experiences that led him to his current position as COO of Citibank. The students also spoke with Ben Taborsky HMC '09 and CMC Robert Day Scholar '09, about his experiences as a quantitative trading analyst at Citi. Additionally, a panel of HR representatives fielded questions from the students about recruiting and internship opportunities.

On Tuesday evening, the students attended a CMC Alumni Association reception hosted by Doug Peterson '80 at Citi. Despite the looming snowstorm, the reception drew many members of the CMC community including current students, alumni, parents, and CMC faculty. The evening gave students an excellent opportunity to interact with alumni, establish contacts, and openly ask questions outside a formal business setting.

Wednesday morning, the students visited JP Morgan, where they were hosted by Peter Barker '70 P'01, the California head of JP Morgan; and Susie Kim '06, an analyst in San Francisco's Technology, Media, and Telecom group. Mr. Barker shared stories from his experience at CMC as well as his career path and answered questions from students. The students had the opportunity to speak with a panel of four analysts, which included Marc Rollins '07, an analyst in JP Morgan Private Banking in NYC, as well as two representatives from HR who discussed internships and the recruiting process.

On Wednesday afternoon, the students headed to Wells Fargo for lunch where they were hosted by Michael Cummings a Managing Director and Business Manager in the Securities & Investment Group for Wells Fargo Securities. The students also had a Q&A session with an analyst and associate. John Shrewsberry '87, Executive Vice President and Group Head of Securities and Investment Group at Wells Fargo, was the alumni contact who made this visit possible.

This year was the second year that the students had a dinner with young alumni from the Claremont Colleges. Attending the dinner were Tejas Gala '09, a market risk management analyst at Deutsche Bank; Erinn Lachner '07, an associate project manager at Citi Global Transaction Services; Marc Rollins '07, an analyst at JP Morgan Private Banking; Mike Karp '06, working in Business Insights at American Express; Susie Kim '06, an analyst in San Francisco's Technology, Media, and Telecom group; and Kyle Salter '07, from the Human Capital Management Team at Goldman Sachs. These alums provided helpful advice on the interview process, anecdotes about work after CMC, and informal perspectives.

On Thursday, the final day of activities in New York City, students began their day by visiting Deloitte Consulting. Celia Ramos, a Senior Manager; David Carney, principal; and Josh Siegel '10, a business analyst, hosted the students at Deloitte. Following a presentation which provided an overview of the consulting industry, students participated in an analyst panel which enabled students to ask candid questions. The visit to Deloitte provided a great opportunity for the students to learn about the differences between consulting and banking.

Early Thursday afternoon, the group headed downtown to meet Robert Wetenhall '94, Vice President, High Yield Research Analyst—U.S. Debt Markets, and Steve McGhee '95, a senior trader in the Global Arbitrage Trading Group, to get an overview of Sales and Trading at the Royal Bank of Canada. Mr. Wetenhall gave the students a tour of the firm's trading floor, where scenes from the recent film *Wall Street: Money Never Sleeps* were shot.

The final visit was to Goldman Sachs where the students met with David Alvillar '01, a Vice President in Capital Structure Finance Trading; and Andrew Kaiser P'13, COO of the Goldman Sachs Bank. Mr. Kaiser discussed some of the bank's broader strategies in addition to Goldman's role in the recent governmental and regulatory changes facing the finance world. Mr. Alvillar introduced students to the organization and culture of Goldman Sachs as well as an array of opportunities within the bank. Kyle Salter '07, from the Human Capital Management team discussed the recruiting process and internship possibilities with the students.

This year, Deutsche Bank, RBC, and Goldman Sachs took the initiative to

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Are Mutual Fund Managers Skilled?

By Jonathan B. Berk

Summarized by Sara Reed CMC '12, FEI Student Research Analyst

ON THURSDAY, APRIL 14, 2011 THE Financial Economics Institute welcomed Jonathan B. Berk, the A.P. Giannini Professor of Finance at Stanford University's Graduate School of Business, to the Marian Miner Cook Athenaeum. Professor Berk presented his paper on "Mutual Fund Flows and Performance in Rational Markets." He posed the fundamental question: "Are mutual fund managers skilled?" He then presented two commonly held myths: 1) investors in actively managed funds should do better than investors in passively managed funds, and 2) performance in actively managed funds should be predictable—a fund that outperforms other funds should continue to outperform.

However, the literature posits that neither myth is true. Investors do not receive higher returns in active funds rather than passive funds. Further, fund performance tends not to be predictable, with the exception of the worst performing funds. Hence, it appears that active fund managers add little or no value. Interestingly, investors appear to behave as if neither empirical fact were true because they chase past performance. When a fund performs well, capital flows in as compared to when a fund performs badly, capital flows out. This is seemingly paradoxical in light of the empirical evidence.

Professor Berk posits a simple rational model of both manager and investor behavior which potentially explains the empirical evidence. The model relies on the observation that it is those who possess skill that is in short supply who make the rents from those skills. Here, it is the active *managers* who possess the skill and make the rents. Investors therefore earn no more (and no less) by investing with active managers than by indexing. If one computes managerial profits properly, where these profits equal gross fund returns times fund size, one finds that *these profits* are indeed predictable. Professor Berk also finds that the responsiveness of capital flows to returns can be explained by a model in which investors learn about managerial quality from performance. Indeed, in the short term, Berk finds that return chasing by investors can generate abnormally high profits, although eventually, everyone learns who the good managers are and again, the returns from investing with active managers who have performed well in the past falls to zero in expectation. Perhaps the only place where Professor Berk needs to rely on suboptimal investor behavior to explain an empirical regularity is to explain the predictably low returns of the worst-performing funds. For those funds not to lose all investors, it must be that some investors must be insensitive to performance. Perhaps those who do not abandon badly performing funds are simply not paying attention. Berk notes that this same empirical regularity is also observed in mortgage refinancing, where some borrowers do not refinance, no matter how far interest rates fall.

JONATHAN B. BERK

Professor Berk received his Ph.D. in Finance from Yale University. Before teaching at Stanford, he was the Sylvan Coleman Professor of Finance at Haas School of Business at the University of California, Berkeley. He is currently teaching Institutional Money Management and Critical Analytical Thinking at Stanford. Professor Berk's research is primarily theoretical in nature and spans a broad range of topics in finance such as delegated money management, asset pricing, valuing the firm's growth potential, the firm's capital structure decision, and the interaction between labor markets and financial markets. He has co-authored two finance textbooks: *Corporate Finance* and *Fundamentals of Finance*. Due to his influence on finance, he has received the Graham and Dodd Award of Excellence, the Roger F. Murray Prize, and the Bernstein-Fabozzi/Jacobs Levy Award. He was the associate editor of the *Journal of Finance* from 2000-2008, and is a Research Associate at the National Bureau of Economic Research. ▲

NYC Networking Trip from page 3

interview students while they were in New York. Several students have already secured summer internships based on interviews and connections made in New York. Two students will be joining RBC this summer—one as an equity research analyst and one as an investment banking analyst—and one student will be joining Goldman Sachs as an investment banking analyst.

The eighth annual New York City Networking Trip was a great success. It tied a record set by last year's trip in the number of firms visited, spanning consulting, investment banking, sales and trading, and asset management. The breadth of firms allowed students to gain a greater insight into the many different opportunities within the field of finance, and the experience will prove invaluable as the students work to establish themselves in careers in finance. ▲

Financial Economics Institute Spring 2011 Student Research Analysts

During the Spring 2011 semester, seventeen student Research Analysts are assisting faculty members with research projects. The following is a list of the students, the topics they are researching, and their faculty advisors:

WILLIAM LOCKE BROWN '14, ***Patent Litigation in Pharmaceuticals*** with Professor Eric Helland

MAXWELL CHAMBERS '12, ***Accounting for the Share Price Movements of Publicly Traded European Football Teams*** with Professor Richard Burdekin

NATHAN DOCTOR '11, ***Patent Litigation in Pharmaceuticals*** with Professor Eric Helland

JUSTIN ESKIND '11, Bloomberg and Stata Tutor for the FEI

RAJAT GUPTA '11, ***Genetic Disposition and the Market: Wall Street Traders and the Warrior Gene*** with Professor Paul Zak at Claremont Graduate University

ALEX JOHNSON '13, ***Effect of an Introduction of a Clearinghouse on Commodity Stock Prices*** with Professor Eric Hughson

ARJUN KAPUR '14, ***Patent Litigation in Pharmaceuticals*** with Professor Eric Helland

SAUMYA LOHIA '12, ***Global Implications of the Current Financial Crisis*** with Professor Sven Arndt

ANDREW OETTING '12, ***College and University Endowments in the Current Recession*** with Professor Lisa Meulbroek and Professor Janet Smith

KEVIN POTTERTON '12, ***The Relation Between the Probability of Informed Trade and Trading Costs on Financial Markets*** with Professor Eric Hughson

SARA REED '12, ***College and University Endowments in the Current Recession*** with Professor Lisa Meulbroek and Professor Janet Smith

ALEXANDER REICHERT '11, ***An Examination of the Endowment Effect*** with Professor Ananda Ganguly

DANIYAL SHAHID '13, ***Genetic Disposition and the Market: Wall Street Traders and the Warrior Gene*** with Professor Paul Zak at Claremont Graduate University

DANIEL SHANE '13, ***The Impact that General Managers and Team Managers Have on a Baseball Team's Performance*** with Professor Janet Smith

NICHOLAS (COADY) SMITH '12, ***The Downfall of Long-Term Capital Management*** with Professor Ludwig Chincarini at Pomona College

JENNIFER VOLK '11, ***What Beta We Should Consider: A CAPM Critique*** with Professor Yosef Bonaparte

SZE WAI YUEN '12, ***Reexamination of the Endowment Effect*** with Professor Ananda Ganguly and ***What Drives Quarterly Earnings Announcement Reactions? Disclosure Detail vs. Institutional Ownership*** with Professor Joshua Rosett

Back row, row from left: Nicholas (Coady) Smith '12, Rajat Gupta '11, Daniyal Shahid '13, Arjun Kapur '14, Kevin Potterton '12, Maxwell Chambers '12. Front row from left: Nathan Doctor '11, Sze Wai Yuen '12, Alex Johnson '13, Jennifer Volk '11, Alexander Reichert '11.

Where Will FEI Students Be Working?

CONGRATUATIONS TO THE FOLLOWING SENIORS AND JUNIORS COMPLETING THE FINANCIAL ECONOMICS Sequence who have notified the FEI that they have secured a full-time job, placement in graduate school, or a summer internship. This list identifies the students' major(s) and their place of employment.

Graduating Financial Economics Sequence Seniors:

LEWIS CORSON '11, Economics, **Houlihan Lokey** (Los Angeles, CA)

KAITLYN DESAI '11, Economics-Accounting, **Deutsche Bank** (New York, NY)

NATHAN DOCTOR '11, Economics, **Cascade Investment** (Kirkland, WA)

JUSTIN ESKIND '11, Economics, BNP **Paribas** (New York, NY)

RAJAT GUPTA '11, Economics/Mathematics, **Bain and Company** (Claremont, CA) Also accepted as an MBA student at Stanford, class of 2015

EMILY HIRANO '11, Economics-Accounting, **Semler Brossy Consulting Group** (Los Angeles, CA)

SHAUN KHUBCHANDANI '11, Economics, **Citigroup Global Banking** (New York, NY)

BENJAMIN KRAUS '11, Economics/Mathematics, **Morgan Stanley** (New York, NY)

ALEXANDER REICHERT '11, Economics, **RBC Capital Markets** (New York, NY)

JACOB SPRING '11, Economics-Accounting, **Deloitte** (Los Angeles, CA)

JENNIFER VOLK '11, Economics, **Barclays Capital** (Menlo Park, CA)

SCOTT YINGLING '11, Economics-Accounting, **Harris Williams & Co.** (Richmond, VA)

ERIC ZACHARIAS '11, Economics/Mathematics, **Lazard Investment Banking** (Los Angeles, CA)

Financial Economics Sequence Juniors – Summer Positions:

ALEXANDRA ABRAMOVITZ '12, Economics-Accounting, **Citigroup – Risk Management** (New York, NY)

SASI DESAI '12, Economics and Mathematics, **Relational Investors LLC** (San Diego, CA)

ANDREW DUCKWORTH '12, Economics, **Goldman Sachs – Sales & Trading** (New York, NY)

AUSTIN HALLETT '12, Economics/Legal Studies, **Navigant Consulting** (Los Angeles, CA)

SERGIO HERNANDEZ '12, Economics, **Kaiser Permanente** (Oakland, CA)

AVERY HOLLAND '12, Economics, **Greenhill and Co.** (Los Angeles, CA)

BRANT KERSTEN '12, Economics, **SRA International – Government Contracts and Procurements** (Washington, DC)

KWENDY LAU '12, Economics/Mathematics, **JPMorgan** (Los Angeles, CA)

SAUMYA LOHIA '12, Economics/Mathematics, **Goldman Sachs – Investment Banking** (New York, NY)

ROSABELLA MAGAT '12, Economics/Mathematics, **Goldman Sachs – Corporate Treasury – Finance Division** (New York, NY)

LACEY MCLEAN '12, Economics-Accounting, **PACCAR, Inc. – Accounting** (Bellevue, WA)

JEFFREY MCNERNEY '12, Economics and PPE, **Lazard – Investment Banking** (Los Angeles, CA)

ROBERT MILLER '12, Economics, **Monitor Consulting Group** (Boston, MA)

ANDREW OETTING '12, Economics/Mathematics, **Cascade Investment** (Kirkland, WA)

RISHABH PAREKH '12, Science Management, **Lombardia Capital Partners** (Pasadena, CA)

KEVIN POTTERTON '12, Economics/Mathematics, **RBC Capital Markets – Global Markets** (New York, NY)

SARA REED '12, Economics, **Deutsche Bank – Risk Management** (New York, NY)

JASON REHHAUT 12, Economics-Accounting, **Deloitte and Touche** (Los Angeles, CA)

ANDREW SEGAL '12, Economics-Accounting, **Credit Suisse – Investment Banking Division** (Century City, CA)

NICHOLAS (COADY) SMITH '12, Economics/Mathematics, **Bank of America Merrill Lynch – Investment Banking** (Los Angeles, CA)

JUSTIN SPITZER '12, Economics, **Citigroup Global Transaction Services** (San Francisco, CA)

DANA STALEY '12, Economics, **Goldman Sachs – Private Wealth Management** (San Francisco, CA)

DAVID ULRICH '12, Economics, **RBC Capital Markets – Investment Banking** (New York, NY)

ANDREW YANDELL '12, Economics/Spanish, **Reisers Genussmanufaktur** (Wurtzbourg, Germany)

FEI Affiliated Faculty Research

Selected 2010-11 publications by faculty members affiliated with the FEI:

- "Free Trade and Its Alternatives," (**Sven Arndt**), in M.E. Kreinin and M.G. Plummer (eds.), *Handbook on International Commercial Policy* (Oxford: Oxford University Press), forthcoming
- "Intra-Industry Trade and the Open Economy," (**Sven Arndt**), *Korea and the World Economy,* December 2010, 11, No. 3
- "Corporate social responsibility as a conflict between shareholders," (**Amir Barnea** with Amir Rubin), *Journal of Business Ethics,* November 2010, 97, No. 1, pp. 71-86
- "Household Search Choice: Theory and Evidence," (**Yosef Bonaparte** and Frank Fabozzi), *Applied Economics,* forthcoming
- "Explaining Production Inefficiency in China's Agriculture using Data Envelopment Analysis and Semi-Parametric Bootstrapping," (**Yosef Bonaparte**, Zhuo Chen, and Daniel Monchuk), *China Economic Review,* 21 (2010): pp. 346-354
- "Savings Selectivity Bias, Subjective Expectations, and Stock Market Participation," (**Yosef Bonaparte** and Frank Fabozzi), *Applied Financial Economics,* 2011, Vol. 21, Issue 3, pp. 119-130
- "Is Food Consumption a Good Proxy for Nondurable Consumption?" (**Yosef Bonaparte** and Frank Fabozzi), *Economics Letters,* 2011, Vol. 111, Issue 2, pp. 110-112
- "Irving Fisher and Price-Level Targeting in Austria: Was Silver the Answer?" (**Richard Burdekin** with Kris James Mitchener and **Marc D. Weidenmier**), *Journal of Money, Credit, and Banking,* forthcoming
- "An ABC Guide to Provincial Lending Patterns in China: Progress and Prospects," (**Richard Burdekin** and Ran Tao), *The Chinese Economy,* forthcoming
- "Offshore versus Local Listings of Taiwanese Firms: Evidence from London, New York and Taipei," (**Richard Burdekin** with Hsin-hui I. H. Whited), *Applied Financial Economics,* Vol. 21, No. 9 (2011), pp. 637-649
- "Demand for Attendance—Price Measurement," (**Richard Burdekin**) in Stephen Shmanske and Leo H. Kahane (eds.), *Oxford Handbook of Sports Economics,* New York: Oxford University Press, forthcoming
- "Sugar in Hawaii: The Potential for Sugarcane Ethanol in Reducing Energy Dependence," (**Richard Burdekin** with Erin Liu), in Peter T. Jenkins (ed.), *The Sugar Industry and Cotton Crops,* Hauppauge, NY: Nova Science Publishers, 2010, pp. 147-166
- "Hedge Funds: An Introduction," (**Ludwig Chincarini**), Chapter 1, *Research Handbook on Hedge Funds, Private Equity and Alternative Investments,* forthcoming 2011
- "A Multi-Asset Approach to Inflation Hedging for a US Investor," (**Ludwig Chincarini** with Salvatore Bruno), *Journal of Portfolio Management,* Spring 2011
- "Home Bias and International Betting Markets: Can Institutional Constraints and Behavioral Biases Lead to Arbitrage Profits?" (**Ludwig Chincarini** with Christina Contreras), *Journal of Gambling and Economics,* December 2010, pp. 20-30
- "No Chills or Burns from Temperature Surprises: An Empirical Analysis of the Weather Derivatives Market," (**Ludwig Chincarini**), *Journal of Futures Markets,* January 2011, pp. 1-33
- "A Historical Examination of Optimal Real Return Portfolios for Non-US Investors," (**Ludwig Chincarini** with Salvatore Bruno), *Review of Financial Economics,* October 2010, pp. 161-178
- "Optimal Real Return Portfolios," (**Ludwig Chincarini** with Salvatore Bruno), *Investments and Wealth Monitor,* July/August 2010
- "Behavioral consistency in corporate finance: CEO personal leverage and corporate leverage," (**Henrik Cronqvist** with Anil Makhija and Scott Yonker), *Journal of Financial Economics,* 2011, forthcoming
- "Estimating the effects of large shareholders using a geographic instrument," (**Henrik Cronqvist** with Bo Becker and Rüdiger Fahlenbrach), *Journal of Financial and Quantitative Analysis,* forthcoming
- "Nature or nurture: What determines investor behavior?," (**Henrik Cronqvist** with **Amir Barnea** and Stephan Siegel) *Journal of Financial Economics,* December 10, 98, pp. 583-604
- "The Impacts of the Rise of Paragraph IV Challenges on Startup Alliance Formation and Firm Value in the Pharmaceutical Industry," (**Darren Filson** with Ahmed Oweis), *Journal of Health Economics,* July 2010, 29:4, pp. 575-84
- "Judicial Expenditures and Litigation Access: Evidence from Auto Injuries," (**Eric Helland** with Paul Heaton), *Journal of Legal Studies,* forthcoming
- "Bargaining in the Shadow of the Website: Disclosure's Impact on Litigation Behavior," (**Eric Helland** with Gia Lee), *American Law and Economics Review,* forthcoming
- "Who Gets Stopped at the Gate: An Empirical Examination of the Effect of Daubert on Expert Witnesses," (**Eric Helland** with Jon Klick), *Supreme Court Economic Review,* forthcoming
- "The Two-Child Paradox Reborn?," (**Gary Smith** with Stephen Marks), *Chance,* 24, 1, 2011, pp. 54-59
- "Another Look at Baseball Player Initials and Longevity," (**Gary Smith**), *Perceptual and Motor Skills,* 112, 1, 2011, pp. 211-216.
- "Entrepreneurial Finance: Strategy, Valuation, and Deal Structure," (**Janet Smith** with R. Smith and R. Bliss), Stanford University Press, 2011, forthcoming
- "The Paradox of 'Fraud-on-the-Market Theory': Who Relies on the Efficiency of Market Prices?," (**Janet Smith** with G. Erenburg and R. Smith), *Journal of Empirical Legal Studies,* forthcoming

Congratulations Class of 2011!

THE FINANCIAL ECONOMICS INSTITUTE WOULD LIKE TO CONGRATULATE THE GRADUATING SENIORS OF 2011. The following is a list of seniors who completed the Financial Economics Sequence and the titles of their theses. ***We would also like to announce that Kaitlyn Desai wrote the Best Thesis in Financial Economics for 2010-2011! Congratulations!!***

ANTHONY BOUVIER, *The Effect of Age Upon CEO Compensation: A Cross-Industry Study*

LOUIS CORSON, *Private Equity Transaction Bankruptcy Risk Prediction*

ANDREW COSENTINO, *An Analysis of Futures Curves and Returns of Oil ETFs*

KAITLYN DESAI, *The Secondary Market for Gift Cards and the Role of Corporate Bankruptcy Risk*

NATHAN DOCTOR, *The Impact of Boards with Financial Expertise on University Endowment Returns*

JUSTIN ESKIND, *Factors Affecting the Forecasting Ability of Implied Correlation in Currency Options*

RAJAT GUPTA, *Diversification Premium on Indian ADRs During the Financial Crisis*

GRANT HEFFERNAN, *Effect of Lockup Agreements on Buyout Backed Initial Public Offerings*

EMILY HIRANO, *The Effects of Industry on Cross-Border and Domestic IPO Underpricing*

REED HOGAN, *Quantifying the Variance Risk Premium in VIX Options*

SHAUN KHUBCHANDANI, *How Are Inflation Expectations Formed by Consumers, Economists and the Financial Market?*

BENJAMIN KRAUS, *Determining the Benefits and Profitability of Implied Correlation in Foreign ETF Options*

NOAH LEVIN, *The Impact of Weather Forecasts on Day-Ahead Power Prices*

GAYLE LIM, *How Did the Extension of the U.S. Dividend Tax Cuts in 2010 Affect Stock Prices?*

ALEXANDER REICHERT, *The Value of the Sovereign Credit Default Market: Domestic Stock Market Interaction and Contagion Effects During Credit Crisis*

BRETT SPENCER, *Credit Market Imperfections, Financial Crisis and the Transmission of Monetary Policy*

JACOB SPRING, *The Role of Fair Value Accounting in Bank Failures 2001-2010*

JENNIFER VOLK, *Do Investors View Excess Capacity as a Determinant of Mergers and Acquisitions in the Pharmaceutical and Biotechnology Industry?*

SEAN WASSERMAN, *Analyzing the Effects of Credit Rating Changes, the Recent Financial Crisis and Other Variables on Firms' Debt Levels*

SCOTT YINGLING, *Congressional Insider Trading: An Analysis of the Personal Common Stock Transactions of U.S. Senators*

ERIC ZACHARIAS, *Activist Investor Impact on CEO Compensation of Investment Targets*

Upcoming Events

New York City Networking Trip

JANUARY 9-13, 2012
Seventeen CMC students 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. Applications for the trip will be available in Bauer Center 321 in October, 2011.

FINANCIAL ECONOMICS INSTITUTE
CLAREMONT MCKENNA COLLEGE
Bauer Center, Room 321
500 East Ninth Street
Claremont, CA 91711-6400
Phone: (909) 607-0042 Fax: (909) 607-0088
E-mail: FEI@cmc.edu
Website: http://www.claremontmckenna.edu/fei/

VISIT OUR WEBSITE AT: *http://www.claremontmckenna.edu/fei/*

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