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NEWS FROM THE FINANCIAL ECONOMICS INSTITUTE AT CLAREMONT MCKENNA COLLEGE

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## Director's Report

by Eric Hughson



Eric Hughson

THIS YEAR WAS the seventh year for the FEI. The FEI is the finance research arm of the Robert Day School of Economics and Finance, which provides data and research support for faculty, and more importantly, provides research experience for students. Last year, I reported that we had an article co-authored with a student accepted at the *Journal of Financial Economics*. Next year, this student will be joining the MIT finance doctoral program. Lest anyone think that this is unusual, we have another collaborative effort (with entirely different co-authors—Tejas Gala and Professor Fan Yu) which has a revise-and-resubmit at the *Journal of Financial Economics*.

Of course, few of our students pursue

academic careers, and it is our job to help students get where they want to go. We think that in addition to the courses they take, the research that the students do that is associated with the FEI helps prepare them for success in their chosen careers.

Some of our academic efforts are, however, more practical. This year, we are building a course around the CMC Student Investment Fund. The objective is twofold. First, we want to provide academic content in valuation and asset allocation to better help students justify their investment decisions. Second, we want to improve the quality of the feedback that students get on their presentations. This second objective will be accomplished by enhanced video-conferencing so that finance practitioners can observe and provide feedback on student presentations remotely. We know how hard it

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*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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is for those particularly on the East Coast to interact with our students on a regular basis. We're hoping this will help increase the amount of interaction.

This year, we sponsored three public lectures by respected finance academics at the Marian Miner Cook Athenaeum. Professor Chester Spatt, from Carnegie Mellon University and former chief economist at the Securities and Exchange Commission, spoke in November about the efficacy of government regulation associated with the current financial crisis. In March, Professor Peter Bossaerts (see article in this issue) of Caltech spoke about the frontiers of neurofinance. Finally, in April, Wayne Ferson (see article in this issue) of USC spoke about how portfolio managers should use alpha. Next fall, we will have a visiting scholar, Jonathan Berk from Stanford University, on campus for a week where he will give a talk for students as well as a research seminar for faculty and students. The support for these activities is made possible by generous contributions from our Board of Advisors and Associates and the BGI Fellowship Program, which provides support for faculty-student

research on investment management topics.

As you know, the job market for our students has been less good the last two years than it had been previously. Hence, our students need to look more competitive. As a result, the FEI has initiated a series of resume evaluations and practice interviews (both in-person and on the phone) to help students prepare for (1) interviewing for internships in late January and (2) interviewing for permanent jobs in September. The interviewers for internships are senior students who have been through the process, and the interviewers for permanent jobs will be young alumni(ae). The first practice super day was successful enough that to the FEI's relief, it was taken over by our Robert Day School Placement Director, Michelle Chamberlain, and has been expanded to serve also the Robert Day Scholars. We have also tried to make sure that on our New York Networking Trip, students interview for internships. At least four of the trip's participants landed an internship based on contacts made on the trip.

On the job front, 22 of our 28 seniors have firm plans for next year—only six are still looking. This compares favorably with last year's statistics, where at the same time,

about 70 percent of the class had plans. Regarding our rising seniors, for this summer, 19 FEI students and former RAs have outside internships and one will be working at the FEI.

Finally, we are very pleased to welcome new FEI Board Advisors, Kurt Hocker '88 and John Shrewsbury '87. Kurt is currently a Senior Vice President and Manager, National Banking at Union Bank. He replaces Phil Flynn '79 on the Board. Although we are very sorry to lose Phil, who took a position at a bank in Wisconsin, we are very happy to maintain our relationship with Union Bank. John Shrewsbury is an Executive Vice President and Group Head at Wells Fargo. We also wish to announce the addition of two new FEI Board Associates, Christine Mann '87 and John O'Brien '02. In addition, there has been a change at Cascade Investment. We are sorry that Justin Hance '06 will not be continuing as an Advisor, but his shoes will be well-filled by Alan Heuberger '96, who was formerly an Associate. John O'Brien will be taking Alan's place as an Associate on our Board. Last, we wish to welcome Christine Mann '87 to our Board as an Associate. She is currently a Vice President at Goldman Sachs. ▲

## Congratulations to the FEI Summer 2010 RAs:

**MAXWELL CHAMBERS '12**, Economics/Mathematics major  
**REED HOGAN '11**, Economics major  
**SAUMYA LOHIA '12**, Mathematics/Economics major  
**ROSABELLA MAGAT '12**, Economics/Mathematics major  
**NICHOLAS COADY SMITH '12**, Economics/Mathematics major  
**SZE WAI YUEN '12**, Economics-Accounting major

## Congratulations to the 2010-2011 BGI/Larson Asset Management Fellows:

**SAMANTHA BASTIEN '11**, Economics-Accounting major  
**NATHAN DOCTOR '11**, Economics major  
**RAJAT GUPTA '11**, Economics/Mathematics major  
**ANDREW OETTING '12**, Economics/Mathematics major  
**GRANT PARKER '11**, Economics-Accounting major  
**BRETT SPENCER '11**, Economics major

## 2010 New York City Networking Trip

By Maria Löhner '10, FEI Student Research Analyst

DURING THE WEEK OF JANUARY 11, 2010, the Financial Economics Institute sponsored the seventh annual New York City Networking Trip, which provided an extraordinary learning experience for 3 sophomores, 10 juniors, and 4 seniors.

This was the first year that the trip was organized by students. The student-run committee was comprised of a group of four seniors: Maria Löhner, Kyle Casella, Noah Franz, and Nikolas Miller. The students met on a weekly basis to organize everything from firm visits to networking events.

During the week, the students visited eight firms including: Deutsche Bank, J.P. Morgan, Atalaya Capital, Morgan Stanley, Royal Bank of Canada, the Capital Group, Deloitte Consulting, and Goldman Sachs. In addition, they were invited to an opening dinner, a cocktail party, and a young alumni panel.

The week in NYC began with an introductory reception and dinner that was hosted by Julie Spellman Sweet '89 at Cravath, Swaine & Moore. At the reception, students had dinner with FEI Board Members and alumni in the field of finance. The dinner was followed by a presentation entitled, *Liquidity Provision and Informed Trading in the Credit Derivatives Market* featuring Professor Fan Yu.

On Tuesday morning, the students enjoyed breakfast with Ivan Zinn '96 at his hedge fund, Atalaya Capital. Mr. Zinn discussed his role as Founder and President, including how the firm was founded and the changing strategy throughout the years. At Atalaya, students also met Ashley Fochtman, Head of Investor Relations, who explained her role and her path to the firm. Mr. Zinn finished the visit with a quiz for students about current events, complete with Atalaya gear as prizes.

Next, students visited Deutsche Bank's Credit Risk Management Department and had lunch with Alan Delsman '68, Managing Director, and Rich Ferguson '80, Managing Director, Treasurer - Americas. The students discussed how to evaluate risk, especially in the current economic environment.

In the afternoon, the students visited J.P. Morgan and met with Amanda Wilson '98, Portfolio Manager in J.P. Morgan Investment Management. She started off the visit with an



16 of the 17 students who toured Wall Street in January 2010.

overview of the firm's private equity group, in particular, discussing its strategy and evaluation methods. The students also heard from recruiters about career opportunities within J.P. Morgan.

On Tuesday evening, the students attended a CMC Alumni Association reception hosted by Kristen Edgreen Kaufmann '98 at The Yale Club. 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.

On Wednesday, the group headed downtown to meet Robert Wetenhall '94, Vice President, High Yield Research Analyst – U.S. Debt Markets, 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 for the upcoming film *Wall Street: Money Never Sleeps* were shot.

The group had lunch at The Capital Group where they were hosted by Brad Barrett '00, Partner, and Joe Matt '99, Vice President. The two hosts explained their firm's strategy, their paths to the firm, and what they thought made the company unique.

That afternoon the students visited

Morgan Stanley, where Managing Director Scott Ashby '95 hosted the students for an overview of the firm's debt capital markets business. This discussion included Morgan Stanley's recent role in the government's regulatory changes. The students also enjoyed an analyst panel, where they could ask questions about the transition from college to the first years on Wall Street.

This year there was a new addition to the program, a dinner with young alumni from the Claremont Colleges. Attending the dinner were Asaf Bernstein HMC '08, a quantitative trading analyst at Citi, Valay Shah '08, an investment banking analyst at Moelis & Co, and Tejas Gala '09, a market risk management analyst at Deutsche Bank. The three alums provided helpful advice on the interview process, anecdotes about work after CMC, and three unique 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, and Greg Pavlik, a Principal, hosted the students at Deloitte. Following a presentation which provided an overview of the consulting industry, students participated in an analyst panel, featuring Rishi Reddy '07, which enabled students to ask candid questions. The visit to Deloitte

See NYC Networking Trip on page 4

## The Problem of Alpha and Performance Measurement

By Wayne E. Ferson

Summarized by Kyle Casella '10, FEI Student Research Analyst and 2009-2010 BGII/Larson Asset Management Fellow

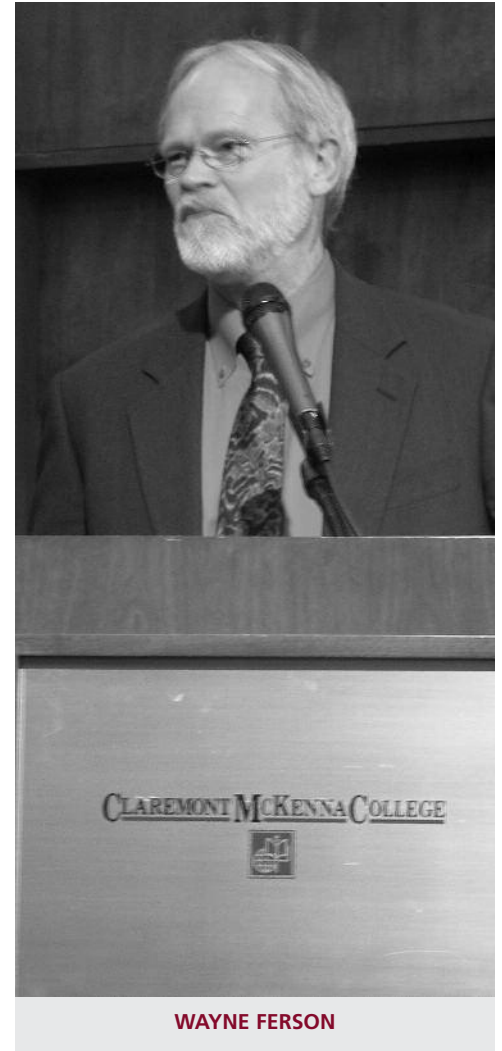
ON THURSDAY, APRIL 22, 2010 THE Financial Economics Institute welcomed Wayne Ferson, the Ivadelle and Theodore Johnson Chair of Banking and Finance at USC's Marshall School of Business, to the Marian Miner Cook Athenaeum. Professor Ferson presented his paper on "The Problem of Alpha and Performance Measurement." First, Ferson questioned the traditional familiarity with alpha (the measure of the expected abnormal return of an investment) within models such as CAPM and the Fama-French 3 factors. He then presented the two fundamental questions related to alpha in investment management: "When faced with a fund that has a positive (negative) alpha, should the investor want to buy (sell) that fund?" The second question is: "If a manager has superior information, will he or she generate a positive alpha?"

The literature is undecided on the two fundamental questions. Although in most cases, investors will want to include positive alpha portfolios in their investment strategies, there are also cases where an investor might want to short those portfolios. Furthermore, researchers found that managers can have negative alpha, even if they have superior information.

Professor Ferson then continued to discuss his continuation of the prior research into the mystery of alpha. He proposed a number of extensions for the use of alpha,

the first being to use the client's preferences to define alpha. In doing so, he avoids having to make the faulty and difficult assumptions of previous papers. Professor Ferson concluded that the right alpha is investor specific and that "agreement in alpha is a modeling fiction." He said that the current absence of costs and taxes in alpha models was like "comparing apples to oranges," leaving the future open for research in investor clientele specific performance measures, accounting for costs and taxes.

Professor Ferson received his Ph.D. in Finance from the Graduate School of Business at Stanford University where he wrote his dissertation on "Expected Real Interest Rates and Consumption in Efficient Financial Markets: Theory and Tests." He received his M.A. in Economics from Stanford and his M.B.A. from Southern Methodist University in Dallas, Texas. Ferson has taught at Boston College, University of Washington, Stanford University, Arizona State University, the University of Miami, University of South Carolina, and the University of Chicago. He has taught undergraduate through Ph.D. level courses on investments, investment management, financial economics, and econometrics. Ferson is a past editor of the *Journal of Empirical Finance* and the *Review of Financial Studies*. He has been the associate editor for various journals. ▲



### NYC Networking Trip from page 3

provided a great opportunity for the students to learn about the differences between consulting and banking.

The final visit was to Goldman Sachs where the students met with David Alvililar '01, a Vice President in Capital Structure Finance Trading, and Andrew Kaiser P'13, COO of the Goldman Sachs Bank. 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. Alvililar introduced students to the organization and culture of Goldman Sachs as well as an array of opportunities within the bank.

This year some firms, such as Deutsche Bank, took the initiative to 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 Robert Wetenhall '94 this summer and one student will be at DB with Alan Delsman '68 and Rich Ferguson '80.

The students will undoubtedly benefit from these visits as well as the opportunity to meet extensively with CMC alums who have established themselves in successful careers in New York. These relationships and this experience will be invaluable for the students as they continue at CMC and after graduation. Ongoing alumni support for the

Financial Economics Institute not only reflects the strength of the CMC community and the advantages of a CMC education, but is ultimately responsible for the success of endeavors such as the New York City Networking Trip.

The seventh annual New York City Networking Trip was a great success. It was a record year in the number of firms visited. The breadth of firms allowed students to gain a greater insight into the many different opportunities within the field of finance. The students learned about consulting, investment banking, sales and trading, asset management, private equity, and hedge funds. ▲

## Financial Economics Institute Spring 2010 Student Research Analysts

During the spring 2010 semester, eighteen student Research Analysts were assisting faculty members with research projects. The following is a list of the students, the topics they were researching, and their faculty advisors:

**KYLE CASELLA '10**, *Market Sentiment in Europe: Examining the Case of Publicly Traded European Football Clubs* with Professor Richard Burdekin

**HARSHVARDHAN CHOWDHARY '10**, *Effect of Liquidity on the Alpha Generated by American Depository Receipts* with Professor Eric Hughson

**RAGHAV DHAWAN '10**, *Is CSR Spending Like Any Other Investment? Evidence from the Financial Crisis of 2007-2009* with Professor Amir Barnea

**NATHAN DOCTOR '11**, *The Value of Tort Suit Preemption in the Pharmaceutical Industry* with Professor Eric Helland

**JUSTIN ESKIND '11**, *Experiments on Valuation of Risky, Intangible and Experienced Assets* with Professor Ananda Ganguly

**NOAH FRANZ '10**, *College and University Endowments in the Current Recession* with Professor Lisa Meulbroek and Dean Janet Smith

**HANNAH GREGG '12**, *Impact of Board of Director Independence on Mutual Fund Performance* with Professor Henrik Cronqvist

**RAJAT GUPTA '11**, *Rhetoric and the Market: Applying Behavioral Finance in Allocating Funds in a Hedge Fund* with Professor Paul Zak at CGU

**WUNNA HLAING '10**, *Effect of Liquidity on the Alpha Generated by American Depository Receipts* with Professor Eric Hughson

**MARIA LÖHNER '10**, *The Value of Tort Suit Preemption in the Pharmaceutical Industry* with Professor Eric Helland

**NIKOLAS MILLER '10**, *Capital Flows and Global Financial Stability* with Professor Sven Arndt

**ALEXANDER REICHERT '11**, *Experiments on Valuation of Risky, Intangible and Experienced Assets* with Professor Ananda Ganguly

**NICHOLAS SPARKS '10**, *Analysis of Beta Adjustment and Prediction Techniques* with Professor Eric Hughson and Professor Lisa Meulbroek

**JENNIFER VOLK '11**, *Corporate Governance Effects* with Professor Henrik Cronqvist

**YANG (AMANDA) YANG '10**, *Portability of Star Winemakers' Performance* with Professor George Batta

**NANAKO YANO (POM) '11**, *Capital Flows and Global Financial Stability* with Professor Sven Arndt

**ERIC ZACHARIAS '11**, *Portability of Star Winemakers' Performance* with Professor George Batta

**YUCHEN ZHANG '10**, *The Impact of Operational Risk Incidents on U.S. Banks and Insurance Firms' Bond Prices* with Professor Fan Yu



Back row, from left: Kyle Casella '10, Hannah Gregg '12, Maria Löhner '10, Nikolas Miller '10, Nanako Yano '11 (POM). Front row, from left: Nathan Doctor '11, Noah Franz '10, Nicholas Sparks '10, Eric Zacharias '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.

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### Graduating Financial Economics Sequence Seniors:

**STEPHEN ANDRON '10**, Economics-Accounting, **Ernst & Young** (San Francisco, CA)

**KYLE CASELLA '10**, Economics, **Wells Fargo Securities Mergers & Acquisitions** (Los Angeles, CA)

**NANCY CHAN '10**, Economics-Accounting, **Wells Fargo Commercial Underwriting** (San Francisco, CA)

**HARSHVARDHAN CHOWDHARY '10**, Economics-Accounting, **Ernst & Young** (Los Angeles, CA)

**RAGHAV DHAWAN '10**, Economics/Mathematics, **Aon – Retirement Consulting** (Irvine, CA)

**BENJAMIN DRAA '10**, Economics, **JP Morgan, Private Banking** (San Francisco, CA)

**TRAVIS HULL '10**, Economics, **RDS Master's in Finance Program** (Claremont, CA)

**ANDREW JARMON '10**, Economics, **Mercer Human Capital** (Los Angeles, CA)

**TYLER LAY '10**, Economics-Accounting, **4+1 Program at Claremont Graduate University** (Claremont, CA)

**MICHAEL LIM '10**, Economics, **Shattuck Hammond Partners Investment Banking** (San Francisco, CA)

**YU-YU LIN '10**, Economics-Accounting, **Applying to graduate schools**

**MARIA LÖHNER '10**, Economics, **Citigroup Mergers & Acquisitions** (Los Angeles, CA)

**ALEKSANDER LYNG '10**, Economics, **Barclays Capital, Sales & Trading Division** (New York, NY)

**JAMIE MATUSIAK '10**, Economics-Accounting/Mathematics, **Beach Fleischman** (Tucson, AZ)

**KEREN MICHELSON '10**, Economics, **Google** (Mountain View, CA)

**NIKOLAS MILLER '10**, Economics/Mathematics, **Prudential Capital** (San Francisco, CA)

**JOHN PEREZ '10**, Economics, **University of Washington Law School** (Seattle, WA)

**SCOTT SANFORD '10**, Economics-Accounting, **Marsh, an arm of the Marsh and McLennan Companies** (Los Angeles, CA)

**NICHOLAS SPARKS '10**, Economics, **Lazard Investment Banking** (Los Angeles, CA)

**MICHAEL WIDMANN '10**, Economics, **Credit Suisse Technology, Investment Banking Group** (San Francisco, CA)

**YANG (AMANDA) YANG '10**, Economics, **Macroeconomic Advisers** (Washington, D.C.)

**YUCHEN ZHANG '10**, Economics, **Houlihan Lokey Howard & Zukin** (Los Angeles, CA)

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### Financial Economics Sequence Juniors – Summer Positions:

**JULIET ARCHER '11**, Environment, Economics, and Politics, **Merrill Lynch Private Banking** (Century City, CA)

**SAMANTHA BASTIEN '11**, Economics-Accounting, **RBC Capital Markets** (New York, NY)

**CHRISTOPHE BINDERT '11**, Mathematics/Economics, **Relational Investors** (San Diego, CA)

**ANTHONY BOUVIER '11**, Economics/Mathematics, **Mercer Human Capital** (Los Angeles, CA)

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

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

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

**RAJAT GUPTA '11**, Economics/Mathematics, **Moelis and Company** (Los Angeles, CA)

**REED HOGAN '11**, Economics, **Financial Economics Institute** (Claremont, CA)

**CHRISTOPHER JONES '11**, Economics-Accounting, **Deloitte Consulting – Human Capital** (San Francisco, CA)

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

**BENJAMIN KRAUS '11**, Mathematics/Economics, **Goldman Sachs Securities Division** (New York, NY)

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

**ELIZABETH ROSE '11**, Economics/Psychology, **Northwestern Mutual Funds** (Minneapolis, MN)

**BRETT SPENCER '11**, Economics, **Morgan Stanley** (Ontario, CA)

**SCOTT YINGLING '11**, Economics-Accounting, **PricewaterhouseCoopers** (Chicago, IL)

**ERIC ZACHARIAS '11**, Economics, **Relational Investors LLC** (San Diego, CA)

# Human Perception and Attitudes Towards Uncertainty

By Peter Bossaerts

Summarized by Maria Löhner CMC '10, FEI Student Research Analyst



PETER BOSSAERTS

ON FRIDAY, MARCH 5, 2010, Professor Peter Bossaerts gave a talk at the Marian Miner Cook Athenaeum entitled “Human Perception and Attitudes Towards Uncertainty.” Bossaerts, a prominent scholar at Caltech, is one of the world’s leading experts in neurofinance. In particular, he investigates how the brain processes financial information and how people make financial decisions in an uncertain environment. He explained that, in the brain, there are two types of uncertainty which appear to be processed separately: non-intentional and strategic uncertainty. The former is the type of uncertainty that comes from slot machines, natural disasters, and financial markets. The latter comes from strategic interactions with other financial market participants, some of whom might have superior information to one’s own.

Professor Bossaerts and his team are paying “particular attention” to risk that results from this second kind of uncertainty—strategic uncertainty. They call this risk intentional risk, which is defined as uncertainty created by a “goal-directed opponent or even social structure,” such as a financial market. One example of intentional risk is the risk of trading in a financial market with an insider. Bossaerts asserts that people are good at detecting insiders because

the human brain is well adapted to recognize and react to such “social” risks—perhaps it is even better at this task than at assessing pure financial risks which arise from non-strategic uncertainty such as, for example, uncertainty about the weather. Professor Bossaerts and his team examine questions related to strategic uncertainty using neurofinance experiments.

One of his particular areas of interest is how people make the risk-reward tradeoff. This led to his investigation of the Dopaminergic system, which is located deep in the rear brain stem. Dopamine creates a feeling of arousal in the brain, the same created by cocaine and alcohol. Surprisingly, it is a “cool” mathematical signal in a deeply emotional part of the brain. It helps us learn what rewards are predicted to be because neurons calculate the expectation of reward. This finding demonstrates that emotion and mathematical thinking are not as far apart as many people originally thought.

Furthermore, rationality does not imply a lack of emotion. It appears rationality and emotion cannot easily be disentangled, and that both are necessary to make good decisions. “Brain regions that encode the mathematical features of a decision problem are often also involved in the corresponding emotional reactions, suggesting that emotions may largely be subsumed in the mathematical decision models.” Based on this finding, Professor Bossaerts explains that choice can be viewed as “the result of a delicate balancing of the emotional features of a decision problem, such as disappointment, elation, regret, relief, envy, and gloating.”

Professor Bossaerts also discussed the brain’s interpretation of financial risk. The brain appears to interpret financial risk as reward variance—not something more complicated that could come out of an economist’s expected utility model. The brain seems to calculate risk prediction error as outcome minus anticipation. The brain

appears to think that risk is just squared error, not anything more complicated (such as skewness or kurtosis). This is the first evidence from neurofinance that the simple finance treatment of economic agents with mean-variance preferences is justified.

Professor Bossaerts’ talk ended with some general “take-home messages” for the audience. He says that bringing decision theory, game theory and machine learning into the study of the human brain reveals that the brain is highly efficient at mathematical computations. Additionally, these computations surprisingly occur in regions that have longed defied formal analysis. This indicates that, contrary to popular belief, emotions and formal thinking are not orthogonal. For economists, what emerges is a brain that generates choice as the outcome of a process including a constant re-evaluation of risks and rewards, online tracking of opponents’ actions, etc., instead of a device that optimizes given utilities.

Peter Bossaerts is the William D. Hacker Professor of Economics and Management and Professor of Finance at the California Institute of Technology. Bossaerts received a licentiate and doctorandus degree in applied economics from the University of Antwerp in Belgium. He received his Ph.D. in Management (Finance) at the University of California, Los Angeles, under Richard Roll. His first appointment as assistant professor was at Carnegie Mellon University’s Graduate School of Industrial Administration. In 1990, Professor Bossaerts moved to the California Institute of Technology (Caltech), where he was promoted to Professor of Finance. He was also Executive Officer for the Social Sciences and Chair of the Division of Humanities and Social Sciences. Until June 2009, Bossaerts was at the Swiss Federal Institute of Technology (EPFL) as Swiss Finance Institute Professor. He continues to run their Laboratory for Decision Making under Uncertainty, on a temporary basis. ▲

## Congratulations Class of 2010!

THE FINANCIAL ECONOMICS INSTITUTE WOULD LIKE TO CONGRATULATE THE GRADUATING SENIORS OF 2010. 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 Nicholas Sparks wrote the Best Finance Thesis for 2009-2010! Congratulations!!*

**STEPHEN ANDRON**, *The Effects of Warrants on Stock Returns: An Analysis of the Gold Ores Industry*

**MAX BOSWORTH**, *Determining Profitability of a Moving Average Technical Trading Rule*

**KYLE CASELLA**, *Oil Shocks and the Term Structure of Interest Rates*

**NANCY CHAN**, *The Friday Effect on Earnings Announcements: Evidence from 2008*

**HARSHVARDHAN CHOWDHARY**, *How Does Liquidity Affect Expected Returns on ADRs?*

**RAGHAV DHAWAN**, *Credit Ratings and Bond Yields in China's Corporate Bond Market*

**BENJAMIN DRAA**, *Investor Sentiment, Fundamentals, and the Dot-Com Bubble*

**NOAH FRANZ**, *The Role of Asset Allocation in Smaller College and University Endowment Performance*

**TRAVIS HULL**, *Profitability and Co-Financing in the Movie Industry: The Effect of Star Actors*

**ANDREW JARMON**, *The Impact of Corporate Social Responsibility on Executive Compensation*

**THOMAS KEIFFER**, *Market Liberalization and Comovement: The United States and Emerging Markets*

**TYLER LAY**, *Empirical Analysis of the Co-Movement of the Credit Default Swap Market and Stock Market*

**MICHAEL LIM**, *Analyst Forecast Bias, Uncertainty, and Jensen's Inequality*

**YU-YU LIN**, *The Elimination of US GAAP Reconciliation Requirement for Foreign Private Issuers*

**MARIA LÖHNER**, *Do Lawsuits Matter in the Pharmaceutical Industry?*

**ALEKSANDER LYNG**, *The Effect of Direct Bidding on Treasury Auctions*

**ROBERT MARTIN**, *Effects of the Government Sponsored Enterprises on Mortgage Lending Standards*

**JAMIE MATUSIAK**, *The Effects of Pension Costs and Expected Rates of Return for Plan Asset on CEO Cash Compensation in the New Millennium*

**KEREN MICHELSON**, *Stock Market Reactions to the Announcement of CEO Turnovers Involving a Gender Switch*

**NIKOLAS MILLER**, *Sector Leverage and Volatility*

**RACHEL NISHBALL**, *Debt Relief for the Heavily Indebted Poor Countries: An Empirical Analysis of the HIPC Initiative*

**JOHN PEREZ**, *An Empirical Analysis of the Competitive and Contagion Effects upon Rival Firms Due to the Bankruptcy Filing of Competitors*

**NATACHA PETERSEN**, *Does Inflation Targeting Affect Stock Market Volatility in Emerging Markets?*

**SCOTT SANFORD**, *A Lesson from the North: A Comparison of US and Canadian Banks*

**NICHOLAS SPARKS**, *An Analysis of the Primary Beta Adjustment Techniques: Method Reconciliations and Extension to Industries*

**MICHAEL WIDMANN**, *Who Signs the Checks? Does Ownership Structure Affect MLB Franchise Performance?*

**YANG (AMANDA) YANG**, *Stock Performance of Chinese State-Owned Commercial Banks and the Overall Chinese Stock Markets*

**YUCHEN ZHANG**, *Announcement Effect: Investigating the Credit Default Swap Market Reaction to Operational Risk Events*

## Upcoming Events

### New York City Networking Trip

**JANUARY 10-13, 2011**

Fifteen 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, 2010.

**VISIT OUR WEBSITE AT:** <http://www.claremontmckenna.edu/feil>

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