19 July 2011 | 24 pages

Academic Research Digest

July Edition

- **Citi Global Quantitative Research Conference** — 22nd/23rd September, Vienna. For more information contact the Citi Global Quant Team.
- **What's New in Academic Research** — In the *42nd Issue* of the Academic Research Digest, we discuss one article on portfolio construction and three articles on stock selection. We also highlight two articles that have recently been published and cite five additional working papers that we believe are of interest.
- **Apples-to-Apples Comparison of Alternative Portfolio Construction Rules** — A review of portfolio construction methodologies that include heuristic-based-weighting, optimization-based-weighting and market-cap-weighted techniques.
- **Free-Riding in Identifying Takeover Targets** — Research that examines the performance of acquiring firms when they compete with financial bidders (such as Private Equity firms) for a company takeover. The authors find that corporate acquirers can deliver high returns by purchasing targets that financial buyers also bid on.
- **Investors Might be Fooled, but not Forever** — Analysis that identifies the impact of news on equity prices for firms using investor relations services and firms that do not. The author finds that greater coverage of positive news stories generated by investor relations firms raises investor expectations of future profitability, leading to price increases in the short term, but lower returns in the future around earnings announcements.
- **Short-Sellers vs. Option Buyers** — An article that examines the extent to which the option market is better at incorporating new information than the stock market. The research concludes that options' market related information is a more significant predictor of future equity returns than the short-selling activity.

- Quantitative Analysis

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See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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Citi Global Quant Research Conference 2011

We are delighted to invite you to the ninth Citi Global Quantitative Research (GQR) conference to be held at the Intercontinental Vienna on Thursday, 22nd and Friday, 23rd September 2011.

The goal of the conference is to bring together academics, fund managers and quantitative analysts to discuss new ideas and present the latest developments in quantitative equity research and asset management

As we have done in previous years, we have assembled a number of high-quality academics and market practitioners to present on various topics. This year's speakers include:

- **Antti Ilmanen** (Brevan Howard)
- **William Pearce** (Frank Russell)
- **Baruch Lev** (New York University)
- **Raul Leote de Carvalho** (BNP Paribas Investment Partners)
- **Scott Richardson** (London Business School)
- **Juan Pang** (Robeco Quantitative Strategies)
- **Zhi Da** (University of Notre Dame)
- **Daniele Scognamiglio & Gerben de Zwart** (APG)
- **Allaudeen Hameed** (University of Singapore)

For complete event details and to register, please Click Here, or contact your Citi Sales representative.

July ARD - Summary (Working Papers)

Apples-to-Apples Comparison of Alternative Portfolio Construction Rules

The first article of this issue co-authored by Tzee-man Chow, Jason Hsu, Vitali Kalesnik, and Bryce Little, reviews a number of portfolio construction methodologies that include heuristic-based-weighting and optimization-based-weighting and compares them with their cap-weighted counter parts. The authors conclude that the strategies outperform their cap-weighted counterparts largely due to exposure to value and size factors. Given the insignificant alphas of these portfolios, the strategies are argued to be similar to each other; and therefore it could be possible to mimic one with combinations of others.

Free-Riding in Identifying Takeover Targets

Amy Dittmar, Di Li, and Amrita Nain, in the second article of this issue, contrast the performance of acquiring firms when they compete with financial bidders (such as Private Equity firms) for a firm takeover. The authors find that corporate acquirers can deliver high returns by purchasing targets that financial buyers bid on. Corporate buyers competing with financial buyers pay lower premiums and earn higher abnormal returns.

Investors Might be Fooled, but not Forever

The third article of this issue, authored by David H. Solomon is concerned with how media coverage affects the price response to news. Solomon focuses on investor relations firms, that is, firms dealing specifically with a company's communications with investors, shareholders and the media. The purpose of the study is to identify the differences of the impact of news on equity prices for firms using investor relations services and firms that do not. Solomon finds that greater coverage of positive news stories artificially generated by investor relations firms, raises investor expectations of future profitability, leading to price increases in the short term, and lower returns in the future around earnings announcements.

Short-Sellers vs. Option Buyers

Mishuk Chowdhury, Peter P. Lung, and J. David Diltz, in the last article of this issue examine the extent to which option market information subsumes stock market information when one looks at options prices versus short selling activity. Overall, the paper finds that the prices of put options are more informative than amount of stock shorted. Notably, short volume ratio loses predictability when short-selling activity is highest. The authors argue that it is possible that in these instances short-sellers might be too late to take advantage of their information. Moreover, the short volume ratio loses predictability in the highest quintiles, after controlling for option market signals.

Articles – Working Papers

1. A Survey of Alternative Equity Index Strategies

Tzee-man Chow, Jason Hsu, Vitali Kalesnik, and Bryce Little[1], March 2011

A copy of this article is available on the Social Science Research Network website – www.ssrn.com.

Key Points:

- Heuristic-based-weighting and optimization-based-weighting outperforms cap-weighting
- The outperformance is largely due to exposure to value and size factors
- These strategies represent efficient and potentially low-cost means to access the value and size premiums

Heuristic-based- and optimization-based weighting vs. market-cap weighting

This article reviews a number of portfolio construction methodologies that include heuristic-based-weighting and optimization-based-weighting and compares them with their market-cap-weighted counter parts. The authors conclude that the strategies outperform their cap-weighted counterparts largely due to exposure to value and size factors.

Low frequency, U.S. and Global portfolios of the 1,000 largest stocks

The analysis sources data from CRSP and Compustat while data for global portfolios is obtained from Worldscope and Datastream. The investment universe comprises the largest 1,000 stocks. The backtest period extends from 1964 through 2009 for the US portfolios and from 1987 through 2009 for the global portfolios. The authors study: (1) heuristic-based-weighting methodologies, that is, equal-weighting, risk-clusters equal-weighting, cap-weighting blended with equal-weighting, and weighting by historical financial variables; and (2) optimization-based-weighting methodologies, that is, minimum-variance strategies and a variety of maximal Sharpe ratio portfolios based on various expected return assumptions. Portfolios are formed annually (quarterly) on the basis of market price data at the market close on the last trading day each year (quarter).

Heuristic-based strategies outperform optimization-based strategies…

…both outperform cap-weighting

All strategies produce meaningfully higher returns than their cap-weighted benchmark over the full sample period. The information ratio ranges from 0.02 to 0.74 for the Global portfolios and from 0.24 to 0.48 for the US portfolios. The Information Ratio criterion slightly favours the heuristic-based strategies. The optimized strategies tend to have higher tracking errors and lower volatilities; the heuristic-weighting strategies, in contrast, tend toward relatively higher volatilities and lower tracking errors. The heuristic-based portfolios realize significantly lower turnover than the optimized portfolios.

All strategies outperform cap-weighting because of the positive value and size loadings

After the strategies are adjusted for market, size, value, and momentum factor loadings, only one strategy, the global Fundamental Index strategy, displays a statistically significant, positive alpha at the 5% level that is 2.18% annually. Almost all of the strategies - all except Diversity-weighting - display positive and significant exposure to the size and value factors. The authors conclude that all strategies outperform cap-weighting because of the positive value and size loadings. Moreover, they suggest that these strategies represent efficient and potentially low-cost means to access the value and size premiums because traditional style indices

[1] Tzee-man Chow and Vitali Kalesnik are at Research Affiliates, LLC, Jason Hsu is at Research Affiliates, LLC and UCLA Anderson Business School, and Bryce Little is at Texas A&M University.

tend to have negative Fama–French alpha, and direct replication of Fama–French factors is often impractical and costly.

It could be possible to mimic one heuristic-based/optimization-based weighting strategy with combinations of others

All in all, the article reaches the conclusion that for the universes of stocks considered, heuristic-based-weighting and optimization-based-weighting outperforms cap-weighting portfolio construction. Given the insignificant alphas of these portfolios and the significant exposures to the market and size and value, the strategies are argued to be similar to each other; and therefore it could be possible to mimic one with combinations of others.

GQR comments and investment implications

This article provides further insights to the debate regarding optimal portfolio construction rules. The analysis is undertaken with the largest 1,000 stocks in the US and also Globally. The results associate the outperformance of the heuristic-based-weighting and optimization-based-weighting with respect to cap-weighted with the tilts of the former towards value and size. This result is not generally new but it is interesting that it is confirmed with a common dataset. Although a bit puzzling, the relative ranking of the models is not the same in the US and Globally. This is something we also pointed out in our report[2] titled "Low-Risk Equity Portfolios: More than just Minimum Variance". Lastly, we particularly liked the consideration of the authors for implementation costs and the analysis and discussion in the respective section.

[2] "Low-Risk Equity Portfolios: More than just Minimum Variance", Citi Investment Research and Analysis, 18th November, 2010.

2. It Pays to Follow the Leader: Acquiring Targets Picked by Private Equity

Amy Dittmar, Di Li, and Amrita Nain[3], March 2011

A copy of this article is available on the University of Michigan website – www.umich.edu.

Key Points:

- Financial bidders often compete with corporate bidders for the same target
- Winning corporate acquirers competing with financial bidders outperform winning corporate acquirers competing with corporate bidders by 8.83% over the -20 to 180-day window
- Financial buyers are more skilled at selecting targets that have a high potential for value improvement

Corporate vs. financial bidders

This article contrasts the performance of acquiring firms when they compete with financial bidders (such as Private Equity firms) for a company takeover. Dittmar, Li, and Nain argue that financial bidders are believed to be skilled at selecting undervalued targets with a high potential for cost cuts and revenue growth, and examine how the presence of financial sponsor competition affects corporate buyers.

Can corporate acquirers deliver better shareholder returns by purchasing targets pursued by financial bidders?

Dittmar, Li, and Nain source data from SDC Platinum for the period 1980 to 2007. Target and bidder are both required to be US firms. In the sample there are 547 corporate bidders that compete with at least one of 470 financial bidders. A 'benchmark' sample comprises 3,321 corporate bidders that compete only with corporate bidders. The authors test whether corporate acquirers can deliver better shareholder returns by purchasing targets pursued by financial bidders.

A sizeable outperformance is observed when winning corporate bidders compete with financial bidders (vs. when they compete with corporate bidders)

The cumulative abnormal returns (CARs) earned by corporate bidders competing with financial bidders are 10.52% and 13.34% in the (-20, 120) and (-20, 180) windows respectively, that is in the periods extending from 20 days prior to the bid to 120 and 180 days after the bid respectively. The CARS earned by corporate bidders competing with corporate bidders are 3.56% and 4.51% respectively. These figures correspond to bids that eventually materialized. The difference is similar in losing bids. In the (-2,2) window only corporate bidders competing with corporate bidders produce statistically significant negative returns.

Financial bidders are more able to identify value than coprorate bidders

The analysis of why corporate acquirers competing with financial bidders have significantly greater abnormal returns than corporate acquirers competing with corporate bidders suggests that financial buyers identify good takeover targets, and the winning acquirers reap the benefits. Collectively, the authors find that corporate acquirers can deliver high returns by purchasing targets that financial buyers bid on. Corporate buyers competing with financial buyers pay lower premiums and earn higher abnormal returns.

[3] Amy Dittmar and Di Li are at the University of Michigan, and Amrita Nain is at McGill University.

GQR comments and investment implications

In light of growing M&A activity, we make sure we keep our research tools/models current[4] but also keep an eye on new original related research. This article fits the latter purpose. The authors show that there is a negative impact for the bidder firm when this firm is a single bidder; a small positive effect when the bidder firm competes with other corporates; there is a large positive effect in the bidder firm's returns when there is a financial firm also bidding. From an investment perspective, these findings are very interesting. First, one can condition on whether a financial firm competes with a corporate in determining potentially winning acquirers. Second, one can think and investigate why private equity firms are more able to identify better takeover targets. Is it how they are incentivised to do so, that is managerial compensation or is it something else? Third, one could possibly try to reverse-engineer the processes/attributes of the firms targeted by private equity firms and align predictions in the context of M&A related investment decisions.

[4] See, "Searching for Alpha: Spot the Takeover Target", Citigroup Smith Barney, 30th June 2004 and "Searching for Alpha: Which Acquisitions Create Value?", Citigroup, 27th March 2006.

3. Selective Publicity and Stock Prices

David H. Solomon[5], January 2011

A copy of this article is available on the Social Science Research Network website – www.ssrn.com.

Key Points:

- Investor relations firm use will affect media coverage, especially the coverage of good news
- Investors are not incorporating publicly available information on investor relations firm usage into prices
- Discounting the usage of investor relations firms can generate significant profits around earnings announcements for equity investors

Investor relations firms and their impact on their clients'' equity prices

This article is concerned with how media coverage affects the price response to news. Solomon focuses on investor relations firms; these are firms dealing specifically with a company's communications with investors, shareholders and the media. The purpose of the study is to identify the differences on the impact of news on firms using investor relations services on equity prices and firms that do not. Solomon finds that greater coverage of positive news stories artificially generated by investor relations firms raises investor expectations of future profitability, leading to price increases in the short term, and lower returns in the future around earnings announcements.

Investor relations firms publish the list of their clients

Solomon combines a number of different sources of data. The investor relations (IR) firm data is sourced from O'Dwyer's Directory of Public Relations Firms. This source provides data on the clients of the IR firm. News data is sourced from Factiva. Return and fundamental data is sourced from CRSP and Compustat. Additional sources include the CDA/Spectrum Institutional (13f) Holdings database for institutional ownership data and Execucomp for CEO compensation data.

Media coverage increases substantially for firms serviced by investor relations firms…

…especially when good news is disclosed

The author conjectures that IR firm use will affect media coverage, and specifically that coverage of good news will increase more than coverage of bad news (the spin hypothesis). News is classified as good or bad using article tone that is defined as the fraction of negative words in the news. Solomon finds that that having an IR firm is associated with 25.5% more media coverage, significant at a 1% level. The increase in coverage associated with IR firm use is 27.7% for articles without any negative words, and decreases as the tone becomes more negative. The ability of IR firms to spin the news is completely eliminated for earnings announcements.

Investors are disappointed when hard information is communicated, i.e. upon earnings announcements

Solomon finds that IR firms affect investor expectations and stock returns. On non-earnings press release days (when the IR firm can spin the news), IR firm clients have significantly higher characteristic-adjusted returns by 11.2 basis points. The IR firm increase in returns for press releases with no negative words is 16.5 basis points. On earnings announcement days (when IR firms cannot spin the news), IR firm clients have lower returns by 33.6 basis points. This effect is concentrated in releases of negative earnings news - the reaction to a given level of negative earnings surprise is 55% larger for companies using an IR firm.

[5] David H. Solomon is at the University of Southern California.

Sizable returns can be made by selling (buying) stocks of companies (not) serviced by investor relations firms around earnings announcements

A portfolio strategy that buys companies that do not use IR firms and shorts companies that use IR firms produces an alpha of 19.8 bps per day or around 50% per year (stocks are traded at the beginning of the announcement day and held for one additional day, that is, 2 day in total). Holding stocks for 21 days lowers the alpha to 2.8 bps per day, or around 7% per year. All in all, the results in this paper suggest that investors do not distinguish between media coverage arising from IR influence and media coverage from general newsworthiness, and are surprised when hard information turns out to be worse than expected.

GQR comments and investment implications

The investment ideas related to earnings announcements seem to be never-ending. In our ARD May 2011 issue we covered an article which described how investors can benefit from the earning surprises of early announcers (see: 'Pre-Earnings Announcement Drift') and that was only one of the many we have covered in this area of research since we launched the ARD in September 2007. This paper uses the event of earnings announcement as a reference point for firms communicating hard information versus other points in time when firms strategically - through investor relations firms - communicate news information. The author shows that - unconditional on the earnings surprise - buying firms not associated with investor relations companies and selling firms associated with investor relations companies generate sizable profits. This strategy is based on the conjecture that firms serviced by investor relations companies are likely to have inflated prices and experience investors' disappointment once hard information is revealed. The portfolio strategy however exhibits high turnover. As we commented in the ARD May 2011 article, we view the implications of this factor as another conditioning layer to other quant portfolio strategies rather than as a stand-alone strategy. That is either to identify long/short ideas, or to prevent long-only managers from buying certain names.

4. Segmentation of Equity and Options Markets

Mishuk Chowdhury, Peter P. Lung, and J. David Diltz[6], March 2011

A copy of this article is available on the Social Science Research Network website – www.ssrn.com.

Key Points:

- Investors with negative information about a stock can use short-sale and (or) options to exploit their private information
- Option market participants appear to be more 'informed' than short-sellers
- The information obtained from options market subsumes the information obtained from short-selling activity

Where can one seek negative information: options trading or short-selling activity?

This article examines to what extent the option market is better at incorporating new information than the stock market. Chowdhury, Lung, and Diltz argue that superior information is unlikely to persist. Hence, they examine whether the predictability of option related measures versus short selling activity is significant in the very short-run, that is, in one day; and also whether this information subsumes one another.

Volatility skew and option implicit stock price are compared with short sale volume ratio

Data for options is obtained from Optionmetrics while short-sale data is sourced from NYSE. CRSP is used to obtain return data. The analysis covers the period 2004 to 2009. The authors compute two measures from option prices that have been found to be predictive of future equity returns. These are the option implied volatility skew (VS) which is the difference in the out-of-the money put option implied volatility minus the at-the-money call option implied volatility; and the ratio (R) of stock spot-price over the put-call-parity implicit stock spot price. To test their hypothesis that either the stock or the option market is more informative they also compute the short sale volume ratio (SVR) which is the ratio of short selling volume to buying volume at the end of each trading day.

The volatility skew and option implicit stock price are better predictors than the short sale volume ratio

The first set of tests involves checks of whether each of these signals work on a stand-alone basis. The authors report sizeable one-day returns for all factors in the direction predicted. That is, the highest (lowest) return is produced by stocks in the bottom (top) decile for all factors. The strongest predictability is observed for VS followed by R and SVR. Notably, extremely shorted stocks appear to only marginally underperform and much of the SVR predictability is due to the least shorted stocks. The second set of tests involves double-sorting. The authors find that VS and R do not capture the same type of information and hence combining them increases their predictability. They also find that the information in SVR is subsumed by the information in VS and R but not the other way round.

The short volume ratio loses predictability after controlling for option market signals

Overall, the paper finds that the prices of put options are more informative than amount of stock shorted. Notably, short volume ratio loses predictability when short-selling activity is highest. The authors argue that it is possible that, in these instances, short-sellers might be too late to take advantage of their information. Moreover, the short volume ratio loses predictability in the highest quintiles, after controlling for option market signals.

[6] Mishuk Chowdhury, Peter P. Lung, and J. David Diltz ar at the University of Texas at Arlington.

GQR comments and investment implications

The key take-away of this article is that options' market related information is a more significant predictor of future equity returns than the short-selling activity. While we believe there is merit in this analysis and hence we discuss it, we need to stress some issues that we think would have made the arguments stronger. One-day ahead predictability might not be of any use given the lack of synchronicity of the quotes used in the analysis. Also, empirical evidence in options related cash equity strategies finds that much of the predictability of the options related factors disappears after the first few days of portfolio formation. Therefore, while we view the findings of interest and we see investment implications arising from this analysis, further issues should be addressed before we get fully convinced.

Articles – Recently Published

1. Pairs-trading on Divergent Analyst Recommendations

Susana Yu[7]

Journal of Investment Management; Forthcoming 2011

Abstract

Pairs-trading is a short-term, self-financing arbitrage strategy in which buy and sell positions are simultaneously placed on two stocks whose prices have moved temporarily apart after following a long parallel path. We develop a new pairs trading rule based on financial analysts' buy/hold/sell recommendations from IBES Details Recommendation Database and test it for the period 1994-2009. On the basis of the Fama-French (1993) and Carhart (1997) four-factor models, we find that our trading rule generally results in positive risk-adjusted returns. It is more effective on small- and mid-cap pairs of stocks than on large-cap pairs, consistent with the hypothesis of information disparity in the stock market. It is more effective in the industries of mining, finance, and services than in others. In additional exploration of our strategy, we examine the correlation of analyst recommendations with past stock investment and corporate earnings performance in the past. We find significant positive correlation, lending new support to prior findings of the relation between of the relation between recommendations and recent performance.

2. Risk-Based Asset Allocation: A New Answer to an Old Question

Wai Lee[8]

Journal of Portfolio Management; Forthcoming 2011

Abstract

In recent years, we have witnessed an alarmingly large and growing amount of literature on portfolio construction approaches focused on risks and diversification rather than estimating expected returns. Numerous simulations, applied to different universes, have been documented in support of these approaches based on their apparent outperformance versus passive market-capitalization weighting or static, fixed weight portfolios. Many studies attribute the better performance of these risk-based asset allocation approaches to superior diversification. Given the absence of clearly defined investment objective functions behind these approaches as well as the metrics used by these studies to evaluate ex-post performance, we put these approaches into the same context of mean-variance efficiency in an attempt to understand their theoretical underpinnings. In doing so, we hope to shed some light on what these approaches attempt to achieve and on the characteristics of the investment universe, if indeed these approaches are meant to approximate mean variance efficiency. Rather than adding to the already large collection of simulation results, we use some simple examples to compare and contrast the portfolio and risk characteristics of these approaches. We also reiterate that any portfolio that deviates from the market capitalization-weighted portfolio is an active portfolio. Finally, we conclude there is no theory to predict, ex-ante, that any of these risk based approaches should outperform.

[7] Susana Yu is at Montclair State University.

[8] Wai Lee is at Neuberger Berman.

Short Coverage

This section cites five additional papers that we consider relevant and thought provoking.

'Accounting Anomalies, Risk and Return' by Stephen Penman and Julie Zhu, May 2011

A copy of this article is available on the London Business School website – www.london.edu.

This article finds that many accounting anomaly variables forecast forward earnings and growth, and in the same direction in which they forecast returns. These variables include accruals, asset growth, profitability, investment, net share issuance, and external financing.

'Where Do Firms Manage Earnings?' by Scott Dyreng, Michelle Hanlon, and Edward L. Maydew, May 2011

A copy of this article is available on the London Business School website – www.london.edu.

This paper finds that firms with extensive foreign operations in weak "rule of law" countries have more foreign earnings management than companies with subsidiaries in locations where the "rule of law" is strong. Most earnings management takes place in domestic income, not foreign income.

'Buy Smart, Time Smart: Are Takeovers Driven by Growth Opportunities or Mispricing?' by Sjoerd Van Bekkum, Han Smit, and Enrico Pennings, April 2011

A copy of this article is available on the Financial Management Association website – www.fma.org.

This article finds that bidders primarily have high market values because of growth opportunities and overpricing, and select targets that are less overpriced with similar fundamental growth value. Takeover activity increases when bidders are more overpriced, in order to cushion against price corrections.

'The Three-Pass Regression Filter: A New Approach to Forecasting Using Many Predictors' by Bryan Kelly and Seth Pruitt, June 2011

A copy of this article is available on the Social Science Research Network website – www.ssrn.com.

This article develops a new technique to forecast a single time series using many predictor variables. The new estimator is called the three-pass regression filter.

'Using internet search data as economic indicators' by Nick McLaren and Rachana Shanbhogue, June 2011

A copy of this article is available on the Social Science Research Network website – www.ssrn.com.

Data on the volume of online searches can be used as indicators of economic activity. This article examines the use of these data for labour and housing markets in the United Kingdom. These data provide some additional information relative to existing surveys. And with further development, internet search data could become an important tool for economic analysis.

Upcoming Quant Events

August

RISK AUSTRALIA 2011

9, August 2011, Sydney, Australia

AUSTRALIA INVESTMENT CONFERENCE

11, August 2011, Sydney, Australia

2011 ADVANCED RISK AND PORTFOLIO MANAGEMENT BOOTCAMP

15 – 20, August 2011, New York, New York, USA

EUROPEAN FINANCE ASSOCIATION

17 - 20, August 2011, Stockholm, Sweden

RISK JAPAN 2011

24, August 2011, Tokyo, Japan

September

DURHAM-EJF SPECIAL ISSUE CONFERENCE ON THE CHINESE CAPITAL MARKET

3-4, September, 2011, Durham, UK

ACADEMY OF BUSINESS RESEARCH FALL INTERNATIONAL MEETING

13-15, September, 2011, Atlantic City, New Jersey, USA

CQA ANNUAL FALL CONFERENCE 2011

14-15, September 2011, Chicago, Illinois, USA

NORTHERN FINANCE ASSOCIATION MEETINGS

16-18, September 2011, Vancouver, British Columbia, Canada

CFA INSTITUTE / CALGARY CFA SOCIETY: GLOBAL WEALTH MANAGEMENT CONFERENCE 2011

20-21, September 2011, Calgary, Alberta, Canada

9th Annual Citi Global Quant Research Conference 2011

22-23 September 2011, Vienna, Austria

INQUIRE UK
25-27 September, Bristol, UK

October

ANNUAL INQUIRE EUROPE SYMPOSIUM

2-4, October 2011, Luxemburg

THE ECONOMICS AND ECONOMETRICS OF RECURRING FINANCIAL MARKET CRISES

3-4, October 2011, Waterloo, Ontario, Canada

CONFERENCE ON SYSTEMIC RISK AND DATA ISSUES

5-6, October 2011, Washington, District of Columbia, USA

CFA INSTITUTE CONFERENCE: FIXED-INCOME MANAGEMENT 2011

13-14, October 2011, Boston, Massachusetts, USA

2011 FMA ANNUAL MEETING

19 - 22, October, 2011, Denver, Colorado, USA

SWISSQUOTE CONFERENCE ON ASSET MANAGEMENT 2011

20, October, 2011 to October 21, 2011, Lausanne, Switzerland

WORKSHOP ON FREQUENCY DOMAIN RESEARCH IN MACROECONOMICS AND FINANCE

20-21, October 2011, Helsinki, Finland

GLOBAL INVESTMENT PERFORMANCE STANDARDS ANNUAL CONFERENCE

27-28, October, 2011, Chicago, Illinois, USA

Previously Published ARD Reports

June Update (29th June)	
1. Ambiguous Analysts	Gus De Franco, Ole-Kristian Hope, Dushyantkumar Vyas, and Yibin Zhou
2. The Mispricing of Accruals Quality	Kai Du
3. An Analysis of the Amihud Illiquidity Premium	Michael Brennan, Sahn-Wook Huh, and Avanidhar Subrahmanyam
May Update (31st May)	Peter Easton, George Gao, and Pengjie Gao
1. Pre-Earnings Announcement Drift	Wilma de Groot and Joop Huij
2. Is the value premium really a compensation for distress risk?	
3. Optimal Active Portfolio Management with Unconditional Mean-Variance Risk Preferences	Chris Kirby and Barbara Ostdiek
4. Conditional Skewness of Stock Market Returns in Developed and Emerging Markets and its Economic Fundamentals	Eric Ghysels, Alberto Plazzi, and Rossen Valkanov
April Update (6th May)	
1. Riskiness Measures and Expected Returns	Turan G. Bali, Nusret Cakici, and Fousseni Chabi-Yo
2. Industry Information and the 52-Week High Effect	Xin Hong, Bradford D. Jordan, and Mark H. Liu
3. The Stock Market Price of Commodity Risk	Martijn Boons, Frans de Roon, Marta Szymanowska
4. An Empirical Evaluation of the Black-Litterman Approach to Portfolio Choice	Michael Gofman and Asaf Manela
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2. Liquileaks	Albert J. Menkveld and Ting Wang
3. Illiquidity and Earnings Predictability	Jon Kerr, Gil Sadka, and Ronnie Sadka
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3. Global Tactical Sector Allocation: A Quantitative Approach	Ronald Doeswijk and Pim van Vliet
4. Is the Potential for International Diversification Disappearing	Peter Christoffersen, Vihang Errunza, Kris Jacobs, and Xisong Jin
January Update (14th January)	
1. A New Approach to Predicting Analyst Forecast Errors: Implications for Investment Decisions	Eric C. So
2. Frog in the Pan: Continuous Information and Momentum	Zhi Da, Umit G. Gurun, and Mitch Warachka
3. The Information Content of Marketing Investments: The Case of Sales Force Resizing Announcements	Anne T. Coughlan, Kissan Joseph, Duane Myer and M. Babajide Wintoki
4. It's All in the Timing: Simple Active Portfolio Strategies that Outperform Naive Diversification	Chris Kirby and Barbara Ostdiek
November Update (29th November)	
1. Decoding Directors' Trades	Lauren Cohen, Christopher Malloy, and Lukasz Pomorsk
2. Are Pairs Trading Profits Robust to Trading Costs?	Binh Do and Robert Faff
3. News Articles and Momentum	Nitish Ranjan Sinha
4. Equity Premium Predictions with Adaptive Macro Indexes	Jennie Bai
October Update (27th October)	
1. Real Earnings Management and Subsequent Stock Returns	Xi Li
2. Options Trading Volume and Stock Price Response to Earnings Announcements	Cameron Truong and Charles Corrado
3. Is Information Risk Priced? Evidence from the Price Discovery of Large Trades	Chuan-Yang Hwang and Xiaolin Qian
4. Comovement and Predictability Relationships Between Bonds and the Cross-Section of Stock	Malcolm Baker and Jeffrey Wurgler
September Update (29th September)	
1. Projected Earnings Accuracy and the Profitability of Stock Recommendations	Dieter Hess, Daniel Kreutzmann, and Oliver Pucker
2. Liquidity as an Investment Style	Zhiwu Chen, Roger G. Ibbotson, and Wendy Y. Hu
3. Rumors of Mergers and Acquisitions: Market Efficiency and Mark-up Pricing	Hsin-I Chou, Gloria Y. Tian, and Xiangkang Yin
4. Value and Momentum in Frontier Emerging Markets	Wilma de Groot, Juan Pang, and Laurens Swinkels

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Figure 1. Global Quantitative Research Team

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