

**INSTITUTE FOR QUANTITATIVE
RESEARCH IN FINANCE®**

SUMMARY

**AUTUMN 2007 SEMINAR
OCTOBER 14 – 17, 2007**

**FAIRMONT SCOTTSDALE PRINCESS
SCOTTSDALE, ARIZONA**

I. INTRODUCTION, SUMMARY AND CONCLUSIONS

The first and second presentations at the Seminar were made by Andrew Ang and Matthew Spiegel, both dealing with the effect of idiosyncratic volatility on subsequent returns. Siegel also discussed the influence of liquidity and the relative importance of idiosyncratic volatility and liquidity, and he offered an explanation for the different conclusions drawn by Ang and himself.

Matthew Richardson discussed a model of the behavior of buyout funds and provided evidence of a variety of strategies and their records of success. He particularly distinguished the motives and performance of funds with track records from those of new funds.

Michael J. Cooper discussed the importance of political contributions by business and consequent benefits to the business and its shareholders, providing statistical evidence of corporate profitability and enhanced shareholder wealth.

Robert B. Cialdini gave the after dinner address on Monday, identifying and explaining six techniques for influencing the behavior of others, providing a variety of examples of success and failure.

Roger M. Edelen discussed the conflict between the institutional portfolio manager and the trader, brought about by the PM's dependence on the trader's expertise coupled with a customary compensation arrangement that motivates trader behavior that is costly to the success of the PM. He supported his conclusions with a study employing a substantial data base.

Ananth Madhavan gave a buy-side description of algorithmic trading and

its evolution, illustrating his conclusions with data drawn from a large sample of execution data from a buy-side firm. His presentation was followed by a sell-side presentation given by George Sophianos on the same topic. Sophianos focused on the connection between execution strategy and short-term alpha, explaining why achieving the latter is so difficult.

Ekkehart Boehmer's presentation concerned the price impact of order flow, and he discussed the different order imbalances from different trader types and their significance for subsequent returns, revealed in an extensive data analysis.

John Curran described the electronic market for futures, and the efficiencies that have resulted, and spoke on expansion of the system to include more spreads and more markets.

Larry Harris offered his observations and advice following the presentations related to market microstructure, focusing on the importance of liquidity and its cost and value.

Alon Brav discussed research on hedge fund activism, exploring the circumstances under which these funds are most active, the forms taken by activism, and their performance results.

Eric Zitzewitz reviewed the impact of political campaigns on stock prices and interest rates, tracking the probability of different election results through the final hours of Presidential and Congressional elections, and matching the corresponding futures price movements over the same period.

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