

May 25, 2010

FTSE EDHEC-Risk Efficient Indexes: July 2010

| | |
|--------------------|--------|
| Eurobloc | 6.97% |
| United Kingdom | 5.91% |
| United States | 6.69% |
| Japan | -0.60% |
| Dev. Asia ex. Jap. | 7.57% |

EDHEC-Risk Alternative Indexes: July 2010 (Estimates)

| | |
|----------------|--------|
| Conv. Arb. | 2.32% |
| CTA Global | -0.48% |
| Dist. Sec. | 1.51% |
| Emg. Mkts | 3.04% |
| Eq. Mkt Neut. | 1.04% |
| Event Driven | 1.83% |
| Fix. Inc. Arb. | 1.08% |
| Global Macro | 0.50% |
| L/S Equity | 2.13% |
| Merger Arb. | 1.22% |
| Rel. Value | 1.84% |
| Short Selling | -4.31% |
| FoF | 0.77% |

Events

[EDHEC-Risk European Risk Management Seminar Series](#)

[EDHEC-Risk Equity Indices & Benchmarks Seminar Series](#)

[Conférence de la Gestion Institutionnelle 2010, Paris](#)

[Commodities/Energy Risk Management, Toronto](#)

[CFA Institute / EDHEC Advances in Asset Allocation Seminar, New York](#)

[World Commodities Week 2010](#)

EDITORIAL

[Proudly in Singapore](#)

Now regarded as the leading centre in Europe for financial research, EDHEC-Risk Institute is expanding: it is establishing two international outposts from which to do research, organise industry outreach activities, and deliver executive education programmes. The London-based EDHEC Risk Institute–Europe will strengthen the institute's position in Europe's financial capital, and development in the rest of the world will be focused on the Asia-Pacific region, owing to its importance as a key growth area for the global investment industry, and to its strong needs and demand for research and education. [More...](#)

INDUSTRY ANALYSIS

[Radical changes in bond markets](#)

The way bonds in the western economies are bought and sold is undergoing several radical changes, affecting all participants, ranging from banks to dealers, asset managers, retail customers and the issuers, including governments. [More...](#)

FEATURES

[On the Suitability of the Calibration of Private Equity Risk in the Solvency II Standard Formula](#)

The drawing-up of the Solvency II prudential rules has become a major concern for the private equity industry. The capital requirements for private equity risk could turn out to be, from 2012, sufficiently binding to lead many European insurers to reduce appreciably their asset allocation to non-listed stocks. As an example, in the French market, in 2007, the total investments in private equity represented €22bn in the balance sheet of insurance companies (FFSA 2008). Insurance companies finance 21% of the funds raised (AFIC); thus becoming the leading national investors in non-listed stocks. [More...](#)

INTERVIEW

[Models do not have much to do with the financial crisis - an interview with Sergio Focardi](#)

In this month's interview, we speak to Sergio Focardi, Professor of Finance at EDHEC Business School, about the role of mathematical models in the financial crisis, his new book on investment management entitled "Quantitative Equity Investing: Techniques and Strategies,"

and his current research work. [More...](#)

Books

[Probability and Statistics for Finance](#)

RESEARCH NEWS

[All Stocks Are Not Created Equal: Evidence from the S&P Indexes Float Adjustment](#)

Ernest N. Biktimirov. In this article, Biktimirov examines the link between the demand for stocks and the prices of these stocks. The aim is to determine whether the demand curves for stocks are flat or whether they slope downward. A flat demand curve means that the price of stocks will not be influenced by the demand for these stocks, whereas a downward sloping demand curve indicates that a fall in demand will cause the price of the stock to fall. [More...](#)

EDHEC PUBLICATIONS

[Shackling Short Sellers: The 2008 Shorting Ban](#)

Ekkehart Boehmer, Charles M. Jones, Xiaoyan Zhang. In September 2008, the U.S. Securities and Exchange Commission (SEC) surprised the investment community by adopting an emergency order that temporarily banned most short sales in nearly 1,000 financial stocks. In this paper, the authors study changes in stock prices, the rate of short sales, the aggressiveness of short sellers, and various liquidity measures before, during, and after the shorting ban. They match banned stocks to a control group of non-banned stocks in order to identify these effects. Shorting activity drops by about 65%. Stocks subject to the ban suffered a severe degradation in market quality, as measured by spreads, price impacts, and intraday volatility.

[More...](#)

[Empirical Properties of Straddle Returns](#)

Felix Goltz, Wan Ni Lai. Recent studies find that a position in at-the-money (ATM) straddles consistently yields losses. This is interpreted as evidence for the non-redundancy of options and as a risk premium for volatility risk. This paper analyses this risk premium in more detail by i) assessing the statistical properties of ATM straddle returns, ii) linking these returns to exogenous factors and iii) analysing the role of straddles in a portfolio context. The findings show that ATM straddle returns seem to follow a random walk and only a small percentage of their variation can be explained by exogenous factors.

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EDHEC-RISK NEWS

[Interest in the EDHEC-Risk Institute PhD in Finance continues to grow unabated](#)

Nearly 6,000 people have expressed interest in the programme over the last twelve months. The next PhD in Finance information sessions will be taking place in Stockholm, Melbourne, Montréal, New York, Rio de Janeiro, San Francisco, Shanghai, Singapore and Tokyo. [More...](#)

[EDHEC-Risk Institute European Risk Management Seminar Series visiting Brussels, Edinburgh and Stockholm in June, 2010](#)

A special series of presentations will be taking place in June 2010 to present a summary of the institutional investment research carried out by EDHEC-Risk Institute in recent times and pointing towards the developments that can be expected over the next few years in the light of advances in academic research. [More...](#)

[Announcement of EDHEC Risk Institute—Asia in Singapore, London and Paris](#)

The launch of EDHEC Risk Institute—Asia was announced at a series of events at the end of April and the beginning of May in Singapore, London and Paris. In front of several hundred guests, EDHEC-Risk Institute drew on its research results to make special presentations on the added-value of risk management in asset management, the future of private wealth management and state-of-the-art equity indices and benchmarks. [More...](#)