JUNE - AUGUST

2022 SUMMER SESSIONS

Refresh your knowledge of essential topics in investing

Time to review the fundamentals of finance and investing! Even the most sophisticated investors can benefit from an occasional tune up. Watch replays from the 2022 State Street Summer Sessions webinar series, where our team of academic and industry experts went back to basics and covered the core principles of modern investing. Connecting theory to practice, our presenters put trends like inflation, cryptocurrencies and ESG investing into context.

How Media Narratives Drive Markets

Ronnie Sadka, Boston College Carroll School of Management | ***Watch Now***

Investors' trading activity can be driven by their awareness of relevant narratives discussed in the marketplace. Quantifying such narratives can assist in understanding market price dynamics. In this session, Ronnie Sadka - the senior associate dean for faculty, chairperson and professor of Finance, and the Haub Family Professor at the Carroll School of Management, Boston College - reviewed the basics of behavioral finance and explained how investors should think about these principles in the modern era with a focus on the link between viral narratives and asset prices.

Introduction to Central Banking

Robin Greenwood, Harvard Business School | ***Watch Now***

In an increasingly interconnected world, it is impossible to succeed as an investor without a firm grasp on economic fundamentals and policy levers. In this session, Robin Greenwood **-** the George Gund Professor of Finance **-** reviewed the fundamental tenets of central banking with a focus on the main questions global investors should be thinking about in 2022.

Introduction to FX Options

Tim Graf, State Street Macro Strategy | ***Watch Now***

Derivative markets are one of the many drivers of spot markets for foreign currencies, but their effects are often underappreciated. In this session, Tim Graf provided a brief overview of FX option basics and focus on how flows related to option hedging can drive currency movements.

ESG Fundamentals

George Serafeim, Harvard Business School | ***Watch Now***

While ESG investing has grown significantly in recent years, several phenomena raise questions about our ability to define the field of ESG investing. Difficulty to estimate its market size, derive consistent ratings of ESG performance, frequent accusations of ‘cheap talk’ by managers, and recent regulatory actions in both EU and US are signs of the challenge to define the field. In this session, George Serafeim - the Charles M. Williams Professor of Business Administration at Harvard Business School and academic partner at State Street Associates presented a conceptual framework clarifying the meaning of ESG investing by defining its objective, which sets a clear expectation about the outcomes from its application and its key characteristics. As a result, the framework enables investors to have a set of common premises as a basis for discussion, ask the right questions, and limit areas of judgement and unwanted discretion. For asset owners, the framework provides a guide for the evaluation and selection of asset managers and what outcomes to expect from the different approaches to ESG investing. For asset managers, the framework provides clarity about the actions needed to establish credibility in the market and how to create a shared understanding inside the organization about what the organization is trying to achieve.

Portfolio Construction: The Building Blocks of Optimal Diversification

Mark Kritzman, MIT Sloan School of Management and **Will Kinlaw**, State Street Associates | ***Watch Now***

Most investors recognize the importance of portfolio diversification, but few are certain how to achieve it. Some academics and practitioners advocate simple heuristics, such as spreading bets equally, or in proportion to risk. But such basic approaches may leave money on the table. In this session, Mark Kritzman (State Street Associates Founding Partner and CEO of Windham Capital Management) and Will Kinlaw (head of Global Markets Research at State Street) – both coauthors of the book "Asset Allocation: From Theory to Practice and Beyond" – explored the tools and techniques necessary to implement more sophisticated diversification, quantified the benefits from these approaches, and discussed common pitfalls and guidance for achieving the most useful results.

Introduction to Investor Behavior

Alex Cheema-Fox, State Street Associates | ***Watch Now***

Sophisticated investors have long recognized that market participants are not always 100 percent rational and that behavioral biases and trends can influence markets. It is essential that investors learn to recognize these patterns **-** both in themselves and the markets at large **-** as well as how to measure and account for them when managing portfolios. In this session, Alex Cheema-Fox Head of Flow and Positioning Research at State Street Associates **-** reviewed key principles of behavioral finance with a practical focus on implications for investment management.

Statistical Prediction: Empirical Methods Grounded in Theory

Mark Kritzman, MIT Sloan School of Management and **David Turkington**, State Street Associates | ***Watch Now***

Classical statistics originated centuries ago, mainly for purposes of gambling and astronomical navigation. Today we are challenged to predict outcomes of more complex systems, such as social behavior. Machine learning can aid in these tasks, but suffers from many challenges of its own. In this session, Mark Kritzman (State Street Associates Founding Partner and CEO of Windham Capital Management) and David Turkington (head of State Street Associates) – both coauthors of a new book "Prediction Revisited: The Importance of Observation" – revealed the building blocks of data-driven prediction from a fresh perspective whereby data represents "experiences" rather than variables, starting with the information theory foundation for linear regression and building to more sophisticated nonlinear and conditional enhancements to predictive modeling.

Measuring and Managing Portfolio Risk

Megan Czasonis, State Street Associates | ***Watch Now***

Investing always entails risk, and it must be managed. But risk is a multidimensional concept which makes it challenging to measure, and even more challenging to control. In this session, Megan Czasonis – co-author of "Prediction Revisited: The Importance of Observation" and head of Portfolio Management Research at State Street Associates, discussed the benefits and limitations to a wide range of statistical risk measures, from conventional notions of volatility and value-at-risk to the more intricate measurement of losses that may occur for different time scales and path dependencies. Further extensions include risk attribution for multiple assets in a portfolio and conducting regime-specific stress tests.

Introduction to Private Markets

Josh Lerner, Harvard Business School | ***Watch Now***

Private markets have grown dramatically in recent years as investors have sought the higher returns and diversification these assets can introduce to portfolios. These potential benefits also come with a range of complexities. In this course, Josh Lerner **-** the Jacob H. Schiff Professor of Investment Banking at Harvard Business School, where he established and teaches doctoral courses on entrepreneurship, teaches in the Owners-Presidents-Managers Program, and leads executive courses on private equity - reviewed the core attributes of private markets and what investors need to know today. Josh is an academic partner at State Street Associates, as well as the author of multiple books including "Patient Capital" and "The Money of Invention".

Making Sense of Machine Learning

Andrew Yimou Li, State Street Associates | ***Watch Now***

Machine learning presents some tough questions when applied to investing. What do you do when a model, which has always worked well in the past, all of a sudden predicts something that seems crazy, but you don't know why? Is it insane… or genius? And how would you explain your decision to your own clients or investors? Machines have a lot to say, if we can figure out how to listen. Andrew Li, Quantitative Researcher at State Street Associates, discussed key principles of machine learning, model interpretability frameworks, and how machines and humans can help each other improve.

Introduction to Blockchain and Cryptocurrencies

Antoinette Schoar, MIT Sloan School of Management | ***Watch Now***

As the financial sector adjusts to the far-reaching implications of the blockchain revolution and debates the long-term viability of cryptocurrencies, investors need to understand the fundamental concepts that underpin digital assets. In this session, Antoinette Schoar **-** the Stewart C. Meyers**-**Horn Family Professor of Finance at the MIT Sloan School of Management **-** covered the basics of blockchain, cryptocurrencies, and digital assets with a focus on how they could change financial markets and the risks and limitations that investors need to understand.

Introduction to Inflation

Alberto Cavallo, Harvard Business School | ***Watch Now***

As the global economy re-emerges from the global Covid-19 pandemic and central banks around the world continue to hold interest rates near historic lows, inflation risk looms large in the minds of investors. In this session, Alberto Cavallo **-** the Edgerley Family Associate Professor at Harvard Business School, co-founder of PriceStats, and member of the Technical Advisory Committee of the U.S. Bureau of Labor Statistics (BLS) **-** discussed the fundamentals of how inflation is measured, what drives it, and how to think about the risk to investors in 2022.

Introduction to exchange rates, overshoots in theory and in practice

Michael Metcalfe, State Street Macro Strategy | ***Watch Now***

Exchange rates are fundamentally crucial for inflation, growth and international portfolios, as well as the cost of your summer vacation. Yet even though they are one of the deepest and most liquid financial markets, they remain one of the hardest to value and (sometimes) to understand. While theory suggests that exchange rates should calibrate around interest rate differentials or equalizing the prices of internationally tradeable goods or a broader set of equilibriums that produce internal and external balances in an economy. In practice, exchange rates are able to deviate substantially from such theoretical constructs as they jump between different macro drivers. With reference to the US dollar overshoot that is currently underway in 2022, we offer a guide as to how currency investment processes aim to cope with such an unruly asset class.

Pushing the Informational Edge: Accessing Alternative Data

Gideon Ozik, MKT MediaStats and **Rajeev Bhargava**, State Street Associates | ***Watch Now***

In an increasingly challenging environment of alpha capture, investors are looking beyond traditional data sources as a means to achieve a competitive edge. Digitization and advancements of technology have enabled the collection of previously unmeasurable information, leading to a proliferation of available data sources pertaining to the macro economy and individual firms. While the increased availability of data affords considerable opportunity for economists, investors, and traders it also comes with complexities that need to be understood and addressed. In this session, Rajeev Bhargava, Head of Investment Indicator Research at State Street Associates and Gideon Ozik, founding partner at MKT Mediastats provided an overview of the various sources of alternative data currently available, reviewing the benefits, current academic research, as well as some of the inherent challenges these sources of information yield.

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