OVERVIEW

How does one best determine ‘value’ in stock markets? What forces act to produce the regular material deviations from even the best estimates of such value?

These are the key questions that this masterclass seeks to answer. Although utilising historical examples, the masterclass is an educational tool for active investors.

DAY ONE

Valuing Stock Markets – Module 1

In this opening session we will explore the remarkable features of volatility compression of returns and the consequences for equity valuation. We will submit equity valuation metrics to five key tests of validity:

- Can Markets be Valued? The Five Key Tests
  - Adjusting the P/E
  - Yield Gaps and Yield Differences
  - Dividend Yield
  - Redefining Dividends: the “Cash Flow Yield”
  - The Price-Earnings Multiple

DAY TWO

Monetary Theory of Asset Prices – Module 3

The monetary theory of the business cycle and asset prices: How central banks create money and how changes in the balance sheets of commercial banks also lead to the creation and destruction of money.

- Measuring Money and Credit
  - Broad money and its ‘counterparts’; The demand for money and changes in velocity; The impact of fluctuations in money and credit; The impact of different exchange rate regimes – fixed, managed and floating – on money creation and growth; Money supply and asset prices in different countries; Printing-press money versus fountain pen money.

DAY THREE (AM)

Leading financial practitioners: Jon Compton, Edward Chancellor utilise their experience and their understanding of history to assess the long term outlook for financial market returns.

Monetary Theory of Asset Prices

1. Missing the Obvious – Thirty-five Years in the Investment Tranches.
2. The Credit Cycle and Asset Allocation.

Programme Conclusion

A review of the course material focusing on how the various forces studied drive the mean reversion of equity valuation.

Financial Bubbles and Busts

Two overlapping bell curves and the three phases; bubbles, practical examples; debt-deflation, practical examples; The importance of balance sheet repair.

The Data on Money and Credit

Overview of current data on money and credit; single country versus multi-country measures; Divisia measures of money and their usefulness; flaws in the global monetary system and implications for investors.

Behavioural Finance – Module 4

Introduction; heuristics and biases; prospect theory; cognitive dissonance.

Break-out Sessions

Analysis of an investor and the pension crisis.

Day Two Wrap Up – Module 5

Mean reversion of equity valuation.
SPEAKERS

Derry Pickford
Derry completed his undergraduate degree in Economics at Cambridge University. After graduating he joined Smithers & Co. as an analyst where he researched major imbalances in the Global Economy. He then joined Sloane Robinson in 2003 where he became Chief Economist. Derry was Co-Head of Asset Allocation at Ashburton Investments and is currently Principal at Aon Hewitt Investment Consultants.

Stephen Wright
Co-author of Module 1: Valuing Stock Markets. Peter is a Professor in Economics at Birkbeck College, University of London. He was previously a staff economist at the Bank of England. Since 1991, he has been a part-time consultant to Smithers & Co, writing reports for professional investors on financial markets. He is the co-author with Andrew Smithers of Valuing Wall Street.

John Greenwood OBE
Chief Economist of INVESCO plc. As Editor of Asian Monetary Monitor, he proposed a currency board scheme for stabilizing the Hong Kong dollar in 1983 which is still in operation today. In 2007 he authored a book entitled Hong Kong’s Link to the US Dollar: Origins and Evolution which covers the collapse of the currency in 1983 and its subsequent restoration to stability under the plan he devised.

Peter Warburton
Author of Module 2: Investing in Periods of Inflation, Disinflation and Deflation. Peter has been a member of the Institute of Economic Affairs’ Shadow Monetary Policy Committee since its inception in 1997. He acts as an economist to the investment management company Ruffer LLP, and is also Managing Director of Halkin Services Ltd and Chief Economist at Economic Perspectives Ltd. He is the author of Debt and Delusion.

Herman Brodie
Co-author of Module 4: Behavioural Finance. He spent a decade in investment banking roles in Paris and in Frankfurt, and worked as a quantitative trader of currencies and financial futures in London. In 2000 he co-founded his first company, Cognitrend, a consultancy to advise financial institutions on the utilisation of behavioural finance research. He currently pursues this goal as Managing Director of Prospecta Limited.

Russell Napier
Co-author of Module 5: A Practical History of the Stock Market and Financial Institutions. Russell was a fund manager for five years before joining the broking firm of CLSA as an Asian equity strategist in 1995. From 1997-1999, Russell was ranked number one for Asian equity strategy in most industry polls. Russell is author of Anatomy of the Bear: Lessons from Wall Street’s Four Great Bottoms.

Who the Masterclass is for
CEOs and CFO’s in financial institutions both in the public and private sector, in addition to finance managers, strategists, analysts and fund managers.

Running Schedule
Day one and day two: 8.00am – 8.00pm
Day three: 9:00am – 1.00pm

Course fees
The course fee is £1750.00. This includes all tuition, course materials and daytime catering.

There is a 20% discount for the alumni and staff of University of Edinburgh. Please contact us for further details.

How to register
To register for this course please visit: www.business-school.ed.ac.uk/executive

Accommodation
If you require accommodation, please contact us for information on our preferred suppliers and special rates.

To discover if this course is right for you, please get in touch with the Executive Team on 0131 651 5245 or email: executive@business-school.ed.ac.uk