

Misbehavior in the Markets

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A series of lectures AND discussions on:

Misbehavior in the Financial Markets: Wednesdays, April 4, 11 & 18

Dr. Jerome Kreuser (CEO Riskontroller US and Suisse, World Bank, IMF, and Prof. at ETH Zürich, GWU, and Univ. Ill.) will untangle the machinations of financial market movements and bubble mania including crashes and rallies gaining an understanding of fact and fake in the news and the myth and reality of bubble predictions.

I may slip in an equation or two but not without explaining them in the simplest terms.

At Arlington Virginia Community Center.

Session 1 – April 4: Fundamentals: what is a financial bubble, prices, and some history

Anatomy of prices and bubbles.

- What do we mean by Market Misbehavior?
- Black swans, dragon kings and other quite mysterious things.
- What is a bubble, correction, downturn, extreme, tail, etc.?
- Historical bubbles: Tulip mania, South Seas, 1929 Crash, 87, Dotcom, 2007, etc.

- How does a price behave with or without a bubble?
- A method for all markets: blackjack, stock markets, horse racing, etc. Can I use it and does it work on bubbles?

Session 2 – April 11: Intermediates: Resilience, bubbles and current methods

Are current methods of portfolio analysis any good or can we do better?

- What is the purpose of investing? Optimizing funds or optimizing dreams/goals.
- The shape of uncertainty.
- Jeff bezos, risk, and regret minimization. Can we do that analytically?
- A critique of current popular methods of investing:
 - charting,
 - technical analysis,
 - smart beta,
 - mean-variance,
 - goal-oriented strategies,
 - liability driven,
 - factor strategies,
 - dynamics,
 - and
- Simulation versus optimization and the ultimate solution.
- What is best for me and what will protect me from bubbles?

Session 3 – April 18: Finale: Detecting bubbles, bursting them, and ...

Rethinking the purpose of investing and implementing it.

- Are crashes inevitable as Kindleberger has written? Are they irrational or rational?
- A review of two rather new bubble theories: Signatures, evaluations, actions.
- News and the value of pundits.
- Some examples and results.
- Can we predict the next big one and are we in one?
- Can bubbles be arbitrated away? Is there a top down or bottom up solution?
- How can I use all this? A little discussion and summary.