

**Jacobs Levy Equity Management Center
for Quantitative Financial Research**

**2018 Annual Conference
September 14, 2018**

***2018 Jacobs Levy Center Annual Conference Welcome Remarks*
Bruce Jacobs, Ph.D., Advisory Board Chair, Jacobs Levy Center**

Thank you, Chris and Dean Garrett.

Good morning, and welcome to the 2018 Annual Conference of the Jacobs Levy Equity Management Center for Quantitative Financial Research. Ken Levy and I established the Center in 2011 in honor of our firm's 25th anniversary. Our goal was to spur idea creation and innovation that makes a real impact on the practice of finance.

Tomorrow marks the tenth anniversary of Lehman Brothers' bankruptcy filing on September 15, 2008. The global financial crisis that followed is still a fresh memory for many of us. The good news is that we're still standing. The bad news is that there's still much we don't know about what causes these crises. And we don't know whether the next major crisis—*and there will inevitably be one*—will look like previous crises or like something entirely different.

Fortunately, we'll hear today from a number of scholars and experts who can at least draw in the outlines of the next crisis by identifying some telltale signs and areas of concern. The more we can learn about the origins of financial crises, the better prepared we'll be to respond to them, or even better, to head them off.

Richard Evans will start us off by exploring one of the lesser-known risks of exchange-traded funds: their outsized role in failed short-sale transactions. Richard identifies a key cause of these failures as "operational shorting." Such shorting may create counterparty risk with potentially destabilizing effects on the market for ETFs and their underlying securities. Adam Reed will discuss Richard's findings.

Our keynote address features two distinguished speakers, Nobel laureate Robert Shiller of Yale and Jeremy Siegel of Wharton, in a debate entitled, "Are Stocks Too High? A Historical Perspective."

After the lunch break, we'll present the 2017 Jacobs Levy Center Research Paper Prizes. A panel discussion will follow on the "Impact of Financial Crises: Past, Present, and Future." I'll be joined by Vineer Bhansali and former SEC Directors and Chief Economists, Richard Lindsey and Chester Spatt. Richard Herring will moderate the discussion.

Next, Kathleen Hanley explains how large sets of data from investors and banks can yield clues to emerging risks in the financial sector. The approach she outlines uses computational linguistics to identify sources of emerging risk and instability. Paul Glasserman will be the discussant.

Lastly, Robin Greenwood examines the claim of Nobel laureate Gene Fama that security prices do not exhibit bubbles. He finds that sharp price increases—whether they're called bubbles or not—do predict a heightened probability of a crash. Past price run-ups that were followed by crashes have exhibited certain characteristics that may help predict future returns. Matt Richardson will comment on the paper.

It's been said, those who don't learn from history are doomed to repeat it. Hopefully after today's discussions, we'll be the better for it.

I hope you'll join us at the cocktail reception at the end of the program. Ken and I look forward to meeting as many of you as we can. And now I'll turn it back over to Chris, who will introduce today's first speaker.

Thank you.