**FINM 35000 Final Project Proposal**

**Quantile Trading Strategy**Aman Krishna | Tim Taylor | Yazmin Ramirez Delgado

1. Data Sourcing: In order to compile a comprehensive list of green and brown equities for our project, we intend to extract green equity indices from established green funds and subsequently curate our own portfolio of such assets. Our primary source for equity data will be Bloomberg, which offers extensive and reliable financial information. In addition to equity data, we will also gather a range of economic factors crucial for our analysis. This will encompass data related to carbon dioxide emissions (CO2), Consumer Price Index (CPI), taxation policies, adherence to the Paris Accords, and various environmental news and agreements. To acquire this economic data, we will explore resources such as CRSP (Center for Research in Security Prices) and WRDS (Wharton Research Data Services) to ensure the accuracy and comprehensiveness of our dataset. This comprehensive approach will allow us to construct a robust foundation for our research, enabling us to make informed assessments of green and brown equities in the context of environmental sustainability and financial performance.
2. Trading Methodology: We outline a multifaceted approach to identify and capitalize on ESG-related market shocks. First, we plan to construct a timeline of these shocks by monitoring ESG-related news and leveraging sentiment analysis to create a historical time series. Through this analysis, we will extract impact words and assess whether there is a positive or negative sentiment toward greener companies. The identification of these shocks will serve as a signal for making strategic trading decisions, enabling us to determine when to go long or short on green stocks, and conversely for brown stocks.

Moreover, we aim to investigate the hypothesis that European Union (EU) listed stocks may exhibit a stronger correlation with ESG market shocks. By analyzing data from EU-listed stocks, we seek to determine whether these shocks are more readily identified and impactful in this market segment.

To execute our trading strategy, we will incorporate a quantile trading approach, simultaneously taking long and short positions in stocks based on the sentiment analysis results. This method will allow us to capitalize on the identified shocks and assess their impact on both green and brown stocks, potentially maximizing returns while managing risk.

1. Vision: Our core focus is on enhancing our trading strategy to generate alpha by capitalizing on timely market signals. To achieve this, we will allocate significant resources to improve the quality of our trading signals, with a particular emphasis on refining our sentiment analyzer and sourcing high-quality news articles. Our objective is to ensure that our signals are not only accurate but also timely, enabling us to react swiftly to market-moving news.

Our underlying hypothesis suggests that by acting with agility and precision immediately after ESG-related news is released, we can potentially outpace the market in pricing in these developments. If our hypothesis holds true, this strategy could provide us with the opportunity to generate alpha