

Capital Markets & Investments

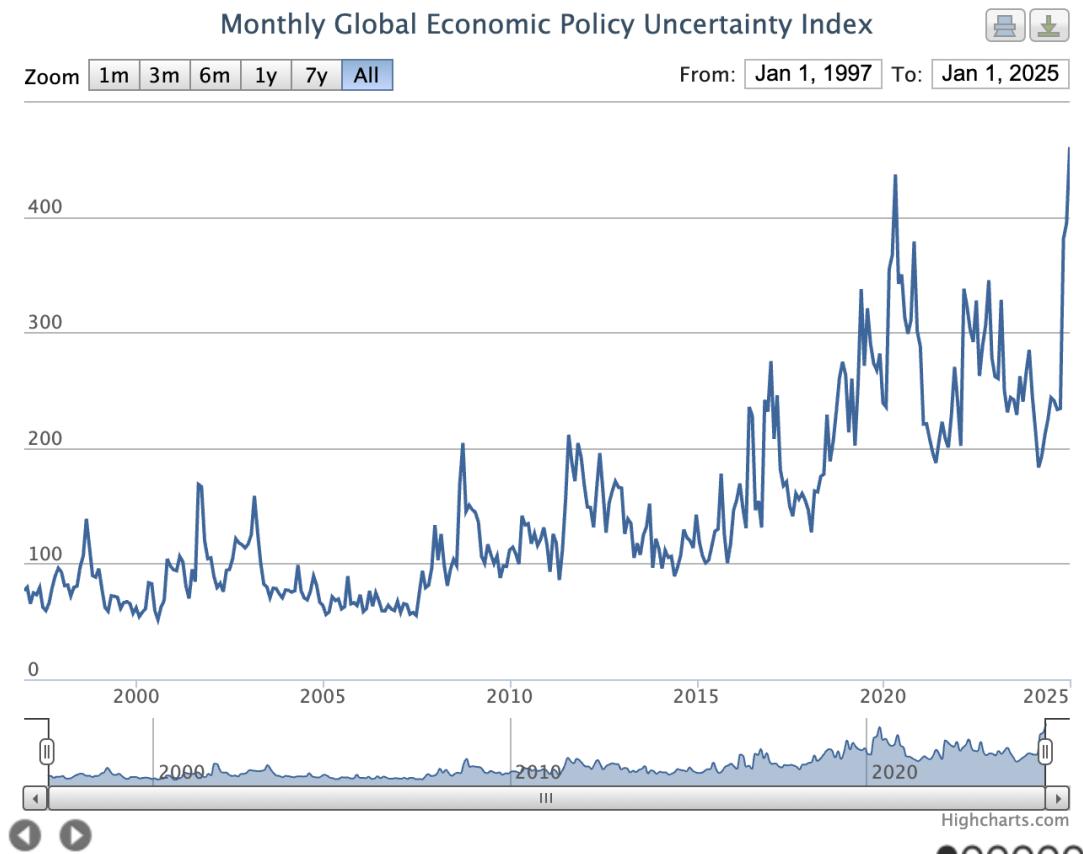
Session 18: Funds (1) – Investment Landscape

Spring 2025
Professor Simon Oh

So... much... uncertainty....

Economic Policy Uncertainty Index

We develop indices of economic policy uncertainty for countries around the world.



Does knowing the future help?



Nassim Nicholas Taleb 
@nntaleb

I conjecture that if you gave an investor the next day's news 24 h in advance he would go bust in less than a year

Does knowing the future help?



Does knowing the future help?



Welcome to the Elm Wealth Crystal Ball Trading Game!

We call this the "Crystal Ball" game, because you're going to see how well you can do trading stocks and bonds if you know the news from the front page of the Wall Street Journal (WSJ) one day in advance. In other words, you'll be in that dreamed-of position of being a trader who "knows the future." For example, you will be shown the front page of the WSJ for a Wednesday, and be able to take a long or short position in the stock market and in the bond market at prices prevailing at Monday's close (that is, two days earlier), and then the trades will be liquidated at Tuesday's closing prices. Note, on each front page we've blacked-out anything that tells you explicitly what market prices actually did that day - leaving that information in would make this game too easy and no fun at all!

You will be trading the S&P 500 stock market index and a 30-year US Treasury Bond futures contract, and you can use as much leverage as you'd like to, up to 50x leverage. Use the sliders to choose the positions you want and then click the "Trade" button. Remember that for the 30-year

Ground Rules

- **Three Options: LONG, SHORT, or SKIP**
- **Position Sizes: 0.5x, 1x, 2x of current wealth**

- No Transaction Costs; No overnight financing costs or rebates
- We will make a total of three trades and compare our results with other participants in the game.
- For each trade, discuss the front page of WSJ for 5 minutes with your neighbor and agree on a trade for (1) S&P500 and (2) Treasury.

How did we do?

