

The Effect of Bad News on Share Prices

Julian Kölbel
Prof. Didier Sornette
Dr. Ryan Woodard,
D-MTEC, ETH Zürich



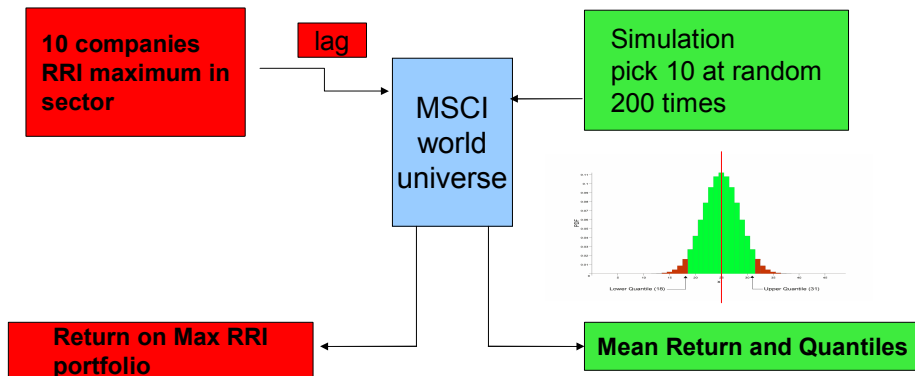
June 13, 2008

Setup

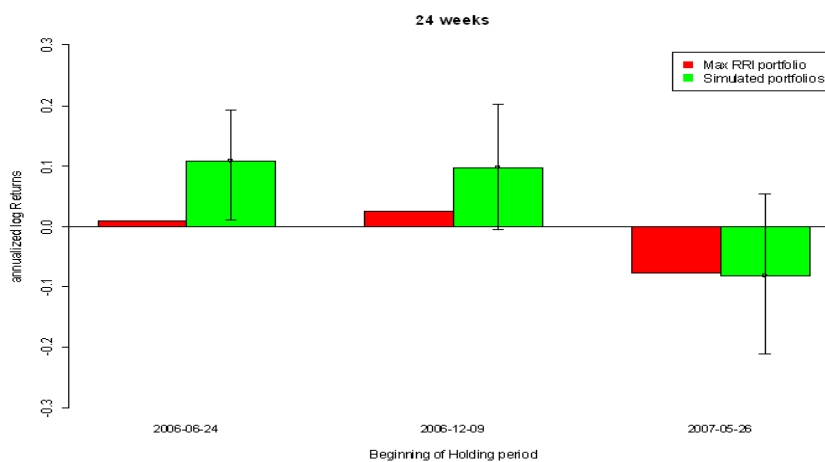
*The market is a machine that converts information into prices.
(D. Sornette)*

- ECOFACT Reputational Risk Index
- Investment Universe: MSCI World
- Observation Period: 2006-2008

Max RRI portfolio vs. Benchmark



Results - lag time 24 weeks



Conclusions

- Mid- to long-term loss
- Conditional on market development
- Possible explanations
- Further research

Thank you ;-)

Questions welcome

Contact:

Julian Kölbl

Beckenhofstrasse 64, 8006 Zürich

koelbelj@ethz.ch

076 20 66 422