

SUMMARY

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Project Description and Findings:

Many publicly traded companies in Russia issue dual class shares – common and preferred. While the common shares have the same provisions as the ones issued by US companies (in terms of paying out dividends and entitling the holder to voting rights), the structure of the preferred shares is very specific to the Russian stock market. The owner of a preferred share is entitled to dividends equal to or greater than the ones paid out to common share owners. However, preferred shares give no voting rights. Therefore, in theory if one is only concerned with the dividend stream coming from a given share, one will value preferred shares higher than common shares. In reality, however, Russian preferred shares are consistently trading at a considerable discount to common shares. Professor Spiegel's project tries to analyze and explain this difference in prices, and searches for the significant economic variables affecting the magnitude of this difference.

Responsibilities:

As a Research Assistant for this project I was responsible for collecting price and dividend data for all publicly traded Russian companies issuing dual class shares. I used the Bloomberg machine in the Yale School of Management to find and extract enormous amount of daily trading data for the time period from 1995 to 2010. Next, I filtered and organized this data in MS Access, so that it is readily accessible for statistical analysis. Finally, I programmed a macro in Excel VBA that creates graphs which visually confirm the difference over time in the price of common and preferred shares for specific companies. The graphs also suggested that during the most recent economic crisis this difference in prices shrunk considerably. This led us to believe that GDP is a significant factor affecting the magnitude of this price difference.

Through this SRO project I learned the following:

- a lot of new finance terms and concepts (especially some specific to the Russian market)
- how to do independent research for a larger project
- how to use Bloomberg to gather data
- how to use MS Access to filter and organize data

Opinion of SRO:

I loved my SRO experience. In my opinion, this is the most significant and enriching undergraduate program in the Economics department. I had the chance to work side-by-side with Prof. Matthew Spiegel, an established Yale professor and expert in his field. This project gave me valuable insight into what research is about and how it is done. I also gained a lot of appreciation for the field of finance and decided to pursue a career in trading after graduation. I cannot thank you enough for this incredible opportunity! I strongly recommend the SRO program to all undergraduates who have genuine interest in the field of Economics.