# EDITOR'S NOTE



Inna Okounkova

This issue of the *Journal of Investment Consulting* features a Masters Series interview with a brilliant and prolific researcher, Campbell R. Harvey of Duke University. Professor Harvey talks about his famous yield curve model for gross domestic product forecasting; the Duke CFO Survey—another powerful forecasting tool—which he co-founded; how to protect portfolios in inflationary times; his influential revelations that more than half of published empirical findings are likely false; and his new book about DeFi disruption, among other topics.

Besides the interview, the issue contains the following five papers:

- "Exchange Rate Changes and ESG," by Edward Baker, Marcus Braga-Alves, and Matthew Morey, examines the ability of country environmental, social, and governance (ESG) ratings to predict exchange rate changes.
- "Public Pension Portfolios in a World of Low Rates and Low Risk Premiums," by Andrew Ang, Calvin Yu, Sarah Siwinski, and He Ren, points out that most public pension plans beat their assumed returns over the past decade—but that achieving the same success in the next decade requires unrealistic assumptions for asset returns. The authors then investigate what kind of portfolios can generate the assumed returns.
- "Hedging vs. Diversification: Comparing the Cost of Hedging to the Cost of Diversification," by Dominick Paoloni and Patrick Hennessy, performs an empirical comparison of the typical 60/40 stock-bond mix to an equity portfolio with protective-put options.
- "Predicting Returns Using Behavioral Market Barometers," by C. Thomas Howard, presents an inventive construction of equity timing signals, which should spark readers' interest in exploring this area.
- "Applications of Machine Learning in Wealth Management," by John M. Mulvey, Junhan Gu, Margaret Holen, and Yuqi Nie, reviews the progress on applications of machine learning to many areas of wealth management.

In addition, the issue summarizes two recently published papers:

- "Sustainable Investing in Equilibrium," by Luboš Pástor, Robert F. Stambaugh, and Lucian A. Taylor. The paper already has become very influential and has been presented at many major finance forums. It very clearly models performance of ESG investments relative to the overall market in equilibrium and under various scenarios as well as the social impact of such investments.
- "Prospect Theory and Stock Market Anomalies," by Nicholas C. Barberis, Lawrence J. Jin, and Baolian Wang, demonstrates that prospect theory can explain many prominent stock market anomalies.

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Inna Okounkova
Editor-in-Chief
*Journal of Investment Consulting*