FINC-UB 48 Research on Wall Street

New course, offered Spring 2025

TR 9:30-10:45 Room TBD

Instructor: Prof. Jeffrey Meli

Office: KMC 9-87

Office Hours: After class and by appointment

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COURSE DESCRIPTION

From its origins in the 1960s, to the swashbuckling days of the dot-com boom, up to today, research has long been an integral part of investment banking. This course will introduce students to the dynamic world of the research analyst. We will begin with the business of securities research. Students will learn how market structure, technology, and regulation have shaped the commercial purpose of the research analyst over time and across asset classes. Topics to be covered include the origins of modern equity research, research support of IPOs and its contribution to the dot-com bubble, the sell-side versus the buy-side, fixed income research, and the challenges and opportunities posed by the rise of AI.

The second part of the course will explore the craft of research. Through a series of case studies, students will learn how analysts use (and abuse) concepts from investments, corporate finance, and valuation when tackling real-world investment problems. Case studies will cover short- and long-horizon research, trade construction, and the use of “alternative” data to complement traditional accounting and financial data. By reading and analyzing actual research reports, students will see where practitioner techniques diverge from the “textbook” approach, learn why the techniques differ, and develop connections between the textbook approach and the practical applications that will be useful to anyone considering a career in research, banking, or investing.

COURSE REQUIREMENTS

Reading: Most of the reading for the first part of the class is historical commentary on evolution of market structure over time and its relation to the role of the research analyst; these will be available on the course website. We will also read selection Chapters from “Blood on the Street”, a popularized account of the role of research in the dot-com bubble. Reading for the second part of the class is primarily published research reports, all of which will be available on the course website. Students are expected to have read the relevant material in advance of class. All lecture notes will be made available on the course website in advance of class.

Assignments: There are [6] homework assignments, each to be completed individually (and submitted via the course website). Homework is typically assigned on Thursday and due before the start of class the following Tuesday, when we will review the answers. There is one case study, to be completed in groups. There is an in-person, closed book final exam.

Class Participation: Participation is an important part of the learning experience, and it represents 15% of the final grade. If you will miss class for any reason, please inform me beforehand. There are two ways students can participate. The first is through in-class discussions and exercises. I will also maintain a class discussion board on the course website, on which students are asked post and/or comment on articles in the financial press (WSJ, FT, Bloomberg New, etc.) that relate to topics covered in class.

GRADING RUBRIC

Class participation: 15%

Homework: 30%

Case study: 15%

Final exam: 40%

Session	Date	Topic
1		Introduction to “Research on Wall Street”
2-4		Origins of modern equity research - The rise of institutional investors - “Soft dollar” payments for research
5-6		“May Day” Reforms - Decline in commissions and the discount broker - Search for new revenue and the introduction of conflicts of interest
7-8		Equity research and the dot-com bubble - “Netscape moment” and the renewed focus on retail investors - Superstar analysts and the size of the banking pie - Abuses, reforms, and current structure
9-10		Special topic 1: Fixed income research - Structural differences between equity and fixed income markets and the role of the FI analyst - Implication of new trading protocols on FI market and FI research
11-12		Special topic 2: AI and the disintermediation of sell-side research
13-14		Valuation Review - Basic principles and the DDM model - The workhorse analyst model of EPS*P/E multiple, and its relation to the DDM
15-16		Special Topic 3: Buybacks versus dividends in the workhorse analyst framework
17		Earnings forecasts and short-horizon research

		- Traditional and alternative data - Importance of consensus - Constructing a "trade"
18-20		CarMax Case study - Real-world use of alternative data to predict earnings - Efficient markets in action
21-22		Growth, multiples, and long horizon research - Drivers of multiples, company lifecycle
23-24		Long horizon research case study: GLP-1 drugs - Evolving estimates of TAM (total addressable market) -- Spillovers to other industries
25-26		Risk, multiples, and long horizon research Case study: Bank equity, too-big-too-fail and the post-crisis reforms
27		Power of the pen - Writing effective research
28		Guest lecture: Using data science and alternative data in investment research

ACADEMIC INTEGRITY

Our undergraduate Academics Pillar states that we take pride in our well-rounded education and approach our academics with honesty and integrity. Indeed, integrity is critical to all that we do here at NYU Stern. As members of our community, all students agree to abide by the **NYU Academic Integrity Policies** as well as the NYU Stern Student Code of Conduct, which includes a commitment to:

• Exercise integrity in all aspects of one's academic work including, but not limited to, the preparation and completion of exams, papers and all other course requirements by not engaging in any method or means that provides an unfair advantage.

• Clearly acknowledge the work and efforts of others when submitting written work as one's own. Ideas, data, direct quotations (which should be designated with quotation marks), paraphrasing, creative expression, or any other incorporation of the work of others should be fully referenced.

• Refrain from behaving in ways that knowingly support, assist, or in any way attempt to enable another person to engage in any violation of the Code of Conduct. Our support also includes reporting any observed violations of this Code of Conduct or other School and University policies that are deemed to adversely affect the NYU Stern community.

STERN CODE OF CONDUCT

The Stern Code of Conduct and Judiciary Process applies to all students enrolled in Stern courses.

For graduate students, information can be found here:
https://www.stern.nyu.edu/uc/codeofconduct.

For undergraduates, information can be found here: https://www.stern.nyu.edu/portal-partners/current-students/undergraduate/community/community-expectations

To help ensure the integrity of our learning community, prose assignments you submit to NYU Brightspace will be submitted to Turnitin. Turnitin will compare your submission to a database of prior submissions to Turnitin, current and archived Web pages, periodicals, journals, and publications. Additionally, your document will become part of the Turnitin database.

GENERAL CONDUCT & BEHAVIOR

Students are also expected to maintain and abide by the highest standards of professional conduct and behavior. Please familiarize yourself with Stern's Policy in Regard to In-Class Behavior & Expectations for Graduate and Undergraduate students. (https://www.stern.nyu.edu/portal-partners/registrar/policies-procedures/general-policies/code-conduct) (http://www.stern.nyu.edu/portal-partners/current-students/undergraduate/resources-policies/academic-policies/index.htm) and the NYU Student Conduct Policy (https://www.nyu.edu/about/policies-guidelines-compliance/policies-and-guidelines/university-student-conduct-policy.html).

GRADING GUIDELINES

At NYU Stern, we strive to create courses that challenge students intellectually and that meet the Stern standards of academic excellence. To ensure fairness and clarity of grading, the Stern faculty have agreed that for elective courses the individual instructor or department is responsible for determining reasonable grading guidelines.

STUDENT ACCESSIBILITY

If you will require academic accommodation of any kind during this course, you must notify me at the beginning of the course and provide a letter from the Moses Center for Student Accessibility (212-998-4980, mosescsa@nyu.edu) verifying your registration and outlining the accommodations they recommend. If you will need to take an exam at the Moses Center for Student Accessibility, you must submit a completed Exam Accommodations Form to them at least one week prior to the scheduled exam time to be guaranteed accommodation. For more information, visit the CSA website: https://www.nyu.edu/students/communities-and-groups/student-accessibility.html

STUDENT WELLNESS

Our aim is for students to be as successful academically as they can, and to help them overcome any impediments to that. Bookmark the NYU Stern Well-being Resource Hub (https://www.stern.nyu.edu/wellbeing) for existing services at NYU and Stern covering a wide variety of topics including financial well-being, relationship well-being, mental well-being, and more. Any student who may be struggling and believes this may affect their performance in this course is urged to contact the Moses Center for Student Accessibility (see also the Student Accessibility section of this syllabus) at 212-998-4980 to discuss academic accommodations. If mental health assistance is needed, call the NYU's 24/7 Wellness Exchange hotline 212-443-9999. Furthermore, please approach me if you feel comfortable doing so. This will enable me to provide relevant resources or referrals. There are also drop in hours and appointments. Find out more at http://www.nyu.edu/students/health-and-wellness/counseling-services.html

NAME PRONUNCIATION AND PRONOUNS

NYU Stern students now have the ability to include their pronouns and name pronunciation in Albert. I encourage you to share your name pronunciation and preferred pronouns this way. Please utilize this link for additional information: Pronouns & Name Pronunciation

RELIGIOUS OBSERVANCES AND OTHER ABSENCES

NYU's Calendar Policy on Religious Holidays states that members of any religious group may, without penalty, absent themselves from classes when required in compliance with their religious obligations. You must notify me in advance of religious holidays or observances that might coincide with exams, assignments, or class times to schedule mutually acceptable alternatives. Students may also contact religiousaccommodations@nyu.edu for assistance.

Except for religious observances or other absences that may be required in compliance with nondiscrimination law, this class otherwise requires attendance and participation and cannot accommodate conflicts. Please review all class dates at the start of the semester and review all course requirements to identify any foreseeable conflicts with exams, course assignments, projects, or other items required for participation and attendance. If you are aware of a potential conflict, it is strongly recommended that you do not take this class.

LAPTOPS, CELL PHONES & OTHER ELECTRONIC DEVICES

The use of tablets and electronic devices that are laid flat on the desk, for the purpose of note-taking only, is permitted. However, students should make every effort to avoid distracting their classmates or disrupting the class, including arriving early and choosing a seat that is less distracting for peers.

INCLUSION STATEMENT

This course strives to support and cultivate diversity of thought, perspectives, and experiences. The intent is to present materials and activities that will challenge your current perspectives with a goal of understanding how others might see situations differently. By participating in this course, it is the expectation that everyone commits to making this an inclusive learning environment for all.