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Winner traces returns to source

Posted: April 2, 2007, 12:01 AM ET

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Claude B. Erb and Campbell R. Harvey won the Graham and Dodd Award for their article analyzing the sources of returns from commodities. The award is given annually by the Financial Analysts Journal for excellence in research and financial writing.

Mr. Erb, who is managing director at Trust Co. of the West, Los Angeles, and Mr. Harvey, a finance professor at Duke University's Fuqua School of Business, Durham, N.C., argued that the long-term risk premium for commodities futures stems from rebalancing the portfolio.

In contrast, a widely touted article by two finance professors, Gary Gorton of the University of Pennsylvania's Wharton School of Business, Philadelphia, and K. Geert Rouwenhorst of the Yale School of Management, New Haven, Conn., failed to win any recognition from the FAJ's advisory and editorial board, which picks the Graham and Dodd winner. Both articles were published the March/April 2006 issue of the FAJ.

The Gorton/Rouwenhorst paper found that historic returns from commodity futures stem mostly from "normal backwardation," meaning investors, on average, are rewarded for providing insurance to protect commodity producers from dips in prices. But the award winners said Messrs. Gorton and Rouwenhorst had misattributed the source of the return (Pensions & Investments, Dec. 26, 2005).

— JOEL CHERNOFF

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Bailout Nation PIMCO's Bill Gross says investors would be wise to follow the government's lead and buy agency-backed mortgages, bank preferred stocks, and senior bank debt, Aaa asset-backed securities and municipal bonds. Posted: January 8, 11:48 AM

Short shrift The knee-jerk reaction by regulators to restrict short selling in the midst of the stock market's September nose dive might have done more harm than good, according to recent studies. Posted: January 8, 10:34 AM

Forecast: Sunny Despite the upheaval in the financial industry over the last 12 months, money managers around the world remained surprisingly optimistic about their business, according to a new survey. Posted: January 7, 10:45 AM

Lone star indeed With a gain of 2.7%, the Texas Municipal Retirement System was the only one of the 200 largest plans in the U.S. that showed an increase in assets in the 12 months ended Sept. 30. Posted: January 6, 2:05 PM

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