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LEVEL 5

WELCOME TO
LEVEL5

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FOREWORD

A WORD FROM THE EDITOR — ON THE FIRST ISSUE

It's hard to start a project, but it is even harder to finish! So, with that in mind, I am extremely happy to present what is now the finalised version of Level 5's flagship release. I want to personally thank the team of writers, who took time out of their dedicated and strenuous study timetable to contribute to making this magazine possible. I would also like to give a special thanks also to Carol Macaskill, who has been extremely influential and supportive in her efforts to make the magazine release a success and also coming up with such a fantastic name. Special thanks also go to Sibel Beadle, who has also been extremely instrumental in getting behind this project. Additional thanks also go to Professor Roy Bailey, for his helpful advice on what would constitute good content based on something similar years back.

The magazine's goal was simple. To provide students with an outlet to express themselves freely with no boundaries, specifically on current economic affairs which stimulates them, or for which they have particular interest or passion. Given that Economics is such a broad field with many topics under its umbrella, it was particularly important to formulate an idea which was inclusive and to provide students with the room to express themselves on whatever they felt they were inclined to write best about.

'Level 5' is split into two parts, the main body section which features original articles on many different current issues, and a 'Student View' which is catered more towards student's first-hand experiences, for example outside undertaking courses and summer internships alike.

I feel that the importance of taking up additional activities is not easy considering the difficulties of balancing work and outside commitments. However, its relevance must not be underestimated, and it must be stressed how beneficial it can be to students to diversify themselves and boost their profile in application processes for the job hunt in terms of internships and graduate roles. What I hope the future holds for the magazine are expansion and establishment.

Given that we have several young writers from the first year already on board, I have particular confidence that the magazine can become more formalised, where there are several editors for many different sub-sections with respective writers under their wing. From that point on, it then can be produced on a term by term basis with greater promotion and a firm standing importance to the Economics department.

Until what I hope will be the next time.

Best Wishes,

Matthew Kisseih

—Lead Editor

★★★★★★★★★★★★★

BACK-TO-BACK-STOP, CAN'T WE MOVE ON FOR BREXITS-SAKE?

BY OLUMAYOWA AGBOOLA
1ST YEAR BSC BANKING & FINANCE

★★★★★★★★★★★★★

It's the topic that's often brought up as a major downfall of the PM Theresa May's inability to create a solution to, that the government and people could agree with; and one that her successor Boris Johnson has scrapped with an alternative to avoid meeting a similar fate, making moving on in Brexit negotiations therefore contentious.

The backstop agreement is an agreement that's often mentioned alongside Brexit, as it's one of the stickiest implications of the Brexit process. It's an issue that the current and the previous PM (Prime Minister) have had difficulty with, in coming to a compromise with a trade deal that won't greatly harm the UK and Irish economies.

So, what is the backstop agreement? and how will it affect the UK and Irish Economies regarding trade? and in what way will it affect the Irish and UK's relationship to each other? We aim to explain and answer these questions in the article, in order to enlighten and bring a greater depth of understanding on the issue.

To explain simply, it's a draft Brexit withdrawal agreement aimed at preventing a "Hard- Border" between the ROI (Republic of Ireland) and NI (Northern Ireland) after Brexit. Specifically, the backstop was an insurance policy negotiated by the former Prime Minister Theresa May, to avoid checks along the Irish border. If it were successfully implemented, the backstop would have kept the UK effectively inside the EU's customs union with Northern Ireland adapting to the rules of the single market. However, Boris Johnson (The current Prime Minister), removed the backstop after renegotiating the withdrawal agreement and replaced it with a new customs plan.

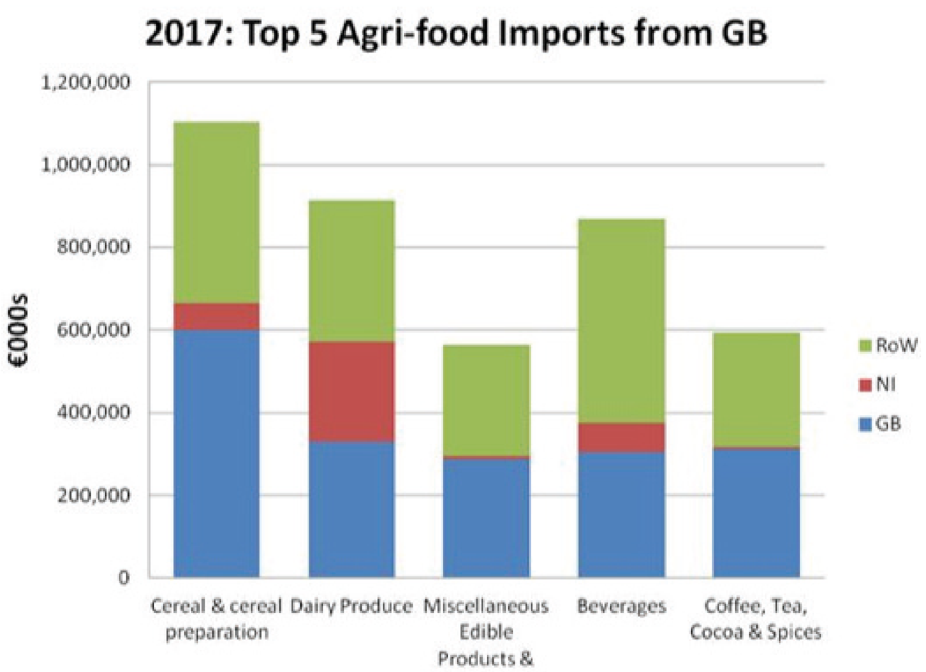
This issue of the 'hard-border' affects the trade relationship between the countries, as prior to the UK officially leaving the EU on 31 Jan 2020 the countries were part of the EU Customs Union. This essentially allowed the two countries to trade freely without the restriction of time-wasting delays on border-checks and paperwork which can delay or spoil the quality of much needed goods such as produce or medicine.

Therefore, trades between Ireland and the UK are highly important to their economies. With the unique benefit of being in such proximity to each other; they both greatly benefit from quickly transported goods and each other's 'Economies of Scale' in the form of Specialisation (when a nation or individual concentrates its productive efforts on producing a limited variety of goods. It often times must forgo producing other goods and relies on obtaining those other goods through trade). In this way it benefits both their countries consumers in the form of cheaper higher quality goods, which can be seen in their specialised sectors.

For example, in Ireland's agricultural sector; [1]Irish beef makes up 50% of Irish exports to the UK alongside their cheddar which also accounts for 47%. This suggests that Ireland's GDP (Gross Domestic Product) is heavily reliant on trade with the UK. Likewise, the UK exports 3.2 billion Euros worth of machinery and transport equipment to Ireland as well as 3.1 billion Euros worth of Pharmaceuticals [2]. This shows how dependant they are on each other's imports and exports, as this illustrates the point that by specialising in their particular sectors they are reliant on each other to provide the other goods; so keeping an agreement that allows for a simplistic free trade between the economies is essential. So, what effect has Brexit and the agreement have on the countries outlook on future trade? Well, according to an article written by RTE (Irish News)[3] its survey concluded that 88% of Irish business leaders believe that Brexit will have a negative impact on the Irish economy in the short-term, but the opinion drops to 47% when long-term.

This suggests that future trade relations may not be so bleak, with talks and relations between Ireland's President and the UK's PM currently ongoing; with the Irish President commenting[5], "My job as Taoiseach is to make sure we navigate Ireland through this new situation and that we stay at the heart of Europe but also that we have a good relationship with our nearest neighbour, because that's crucial for economic reasons but also because of Northern Ireland." Which in turn would likely improve business confidence reflecting in the survey.

In conclusion, Ireland and the UK having had a relationship that has spanned across a millennium, appears to have a relationship that seemingly not even Brexit will get between and will eventually move on for future prosperity for both countries.



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LOOKING BACK AT THE OUTCOME OF THE 2019 GENERAL ELECTION

By Benjamin Nnene (Final Year BSc Economics & Politics)

We are slightly tired of British elections, aren't we?

The UK just went through its third election in a short space of five years.

Electoral fatigue? Definitely.

Necessary? Absolutely.

"Dither and delay". My new favourite phrase.

This being from Parliament on the topic of Brexit. And the leadership struggle within the Conservative party. Despite the three elections, Conservatives beat Labour and now have a chance to "GET BREXIT DONE". Labour is currently going through a peculiar transition stage. As of January 2020, debates have focused on whether they should adopt a more centrist approach, on all topics. The identity crisis that the Left has, has not helped them for the past few years.

I will be discussing the economic interests of both parties and state whether they can last long term.

Boris gets his mandate

Mr. Johnson is in No.10. It's definitely safe to say he's in a good position to get objectives achieved on his agenda.

Traditionally, the Conservatives are the party for lower taxes, private ownership, and increased defence spending.
The reason that this election took place was due to Brexit, yes. They needed a mandate after the in-out referendum.
However, is this one of the reasons for the performance of the British economy?
Since 2010, the Conservatives have managed to have steady economic growth. One factor for the Conservatives remaining in government for so long is because of Labour's past performance during the Blair government. Blair inherited some Thatcherite ideas pertaining to the economy. He called it the "Third Way", in which there was favour for privatisation, free market policies and increased defence spending.

While Brexit has been the topic of discussion, could it be argued that Jeremy Corbyn's policies are a bit outdated for this current generation?

According to Nabarro and Schulz from the Institute of Fiscal Studies (IFS), they state that if there was no deal Brexit, there would be fiscal loosening of 2%. However, there will be growth, albeit slow, over the next 3 years.

Corbyn and Old Labour – An inseparable bond

Jeremy Corbyn's policies are very popular in the UK. This is notable among high school and university students as well as working class people. Corbyn is synonymous with Old Labour. The two go hand in hand.

Unfortunately, the policies made by his party were seen to be "unreasonable" and "unrealistic".
According to the Labour Party manifesto, there was a desire to raise the income tax on those earning more than £80,000. While the proposal could be seen as a desire for a fair distribution of wealth, the super-rich did not see this as an appealing reason to vote for Labour. For example, John Caudwell, the founder for Phones4U, stated that he would potentially leave the UK if there was to be a Labour government. [4]

Labour's stance on the economy is completely understandable. The Tories who have been in power since 2010 have introduced austerity measures which have not been popular among many people across both political parties. The measures have allowed a higher growth in wages over the past few years. [5] The graph above from the Office of National Statistics shows the steady increase of wages since 2014, against fluctuating inflation. Perhaps, people who have seen their wages increase were not in favour of a political party that wanted to tax income. The narrative that "you work hard, and you get your reward" will have been used by the Conservatives as a justification for their policy implementation.

Despite wage growth, the austerity measures have not been met with positive reception and have been met with fierce scorn from many Britons. According to Resolution Foundation, a think-tank, government spending fell from £334 billion to £302 billion from 2011-2018, which is a 10% fall.

People who voted for the Tories have not hidden their displeasure. The poll below conducted two years ago, shows dissatisfaction with austerity measures and why Labour have run on the platform of nationalisation of public services and a higher income tax.

Where next for Labour?

Heffernan describes the similarities between Thatcherism and New Labour policies. He describes the economic success from Ms Thatcher's premiership, which Tony Blair and his chancellor Gordon Brown attempted to do, namely market driven economic growth to help with public service investment. Labour were in debt due to heavy defence spending, particularly from the War in Afghanistan and more significantly the War in Iraq. This approach has tainted Blair's legacy. There's no doubting that. How-

ever, should people in the Labour party be slightly more open-minded in shifting their views slightly more to the centre? Unfortunately, the mention of “Blairism” or “Blairite” is one met with disdain; however, it should be noted that Labour enjoyed their best spell in government since the 1970s.

There is an appetite for socialism in the UK. Labour must play their cards right and elect a leader that appeals to not just those in higher education, but the middle class too.

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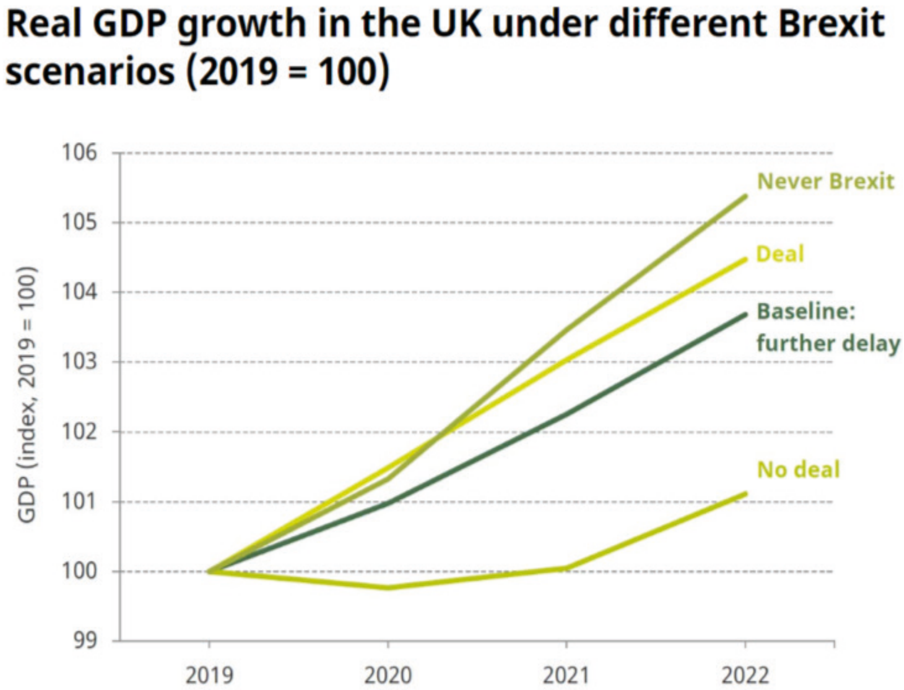
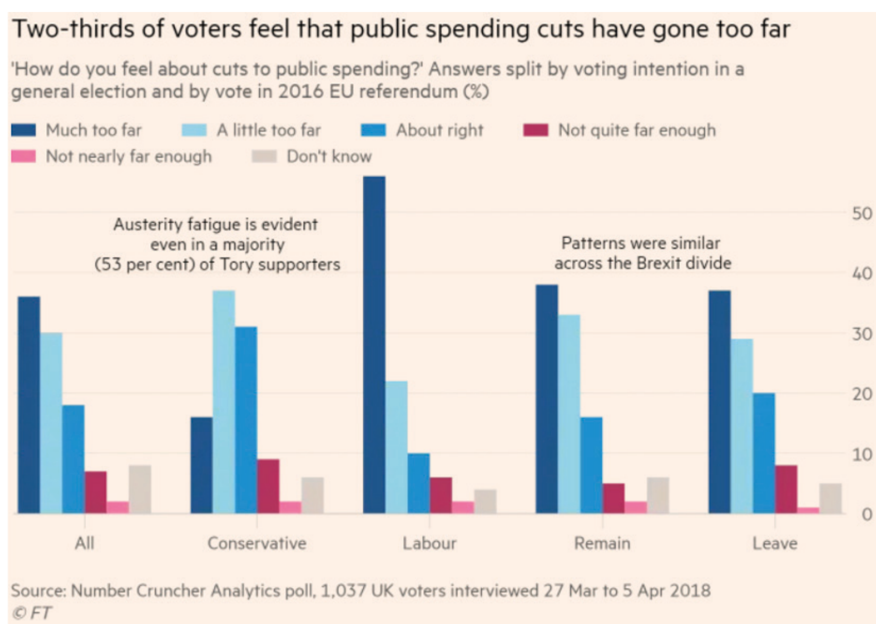
Author Profile

Benjamin Nnene is a final year BSc Economics and Politics student from Norwich, Norfolk. He enjoys football and rugby, and has represented Essex BUCS since 2016. He also has an avid interest in music, and can play both the guitar and piano (his favourite genre is R&B). He aspires to work for a leading bank or financial institution after completing university.

Scan this QR Code to read Benjamin’s Blog





The return of the CDO?

By Matthew Kisseih (Final Year BSc Financial Economics)

"Look I'm a yield guy". Up until their untimely demise in 2008, CDOs were a piece of financial innovation, an exotic instrument which provided more liquidity in the economy, enabling banks and corporations to sell off their debt, in turn, providing more capital to be invested or loaned.

Well, it appears that CDOs are experiencing some sort of revival- meet its distant cousin the CLO – collateralised loan obligation.

What on earth a CDO is - cast your mind back to just over ten years ago. Yes, the financial crash of 2008, which saw the rise in defaults on sub-prime mortgages loans to cause the global economic downturn.

Ok, now I've got your attention!

CDO in a nutshell

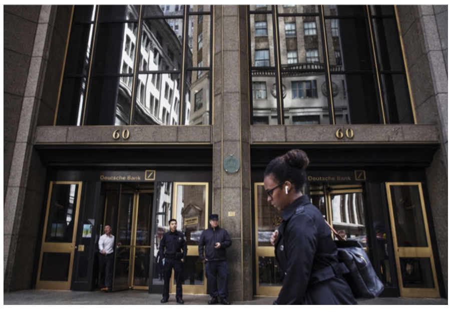
A CDO, more formally known as a collateralised debt obligation, are investment vehicles which contain what is known as tranches of debt.

First off is the senior tranche- which represents the safest level of debt and also the lowest yielding- and can also be referred to as Investment Grade Debt.

In between, you have another senior which is rated just below the AAA at AA, and then the 'Mezzanine which is a triple B rated.

The lowest level in the tranche is junior debt, which by now you will have guessed has the highest risk of default.

It was the support of these senior tranches which allowed the CDO to be sold off as higher-rated security through diversification, in turn masking their true risky profile.
Such complexities ultimately led to the failure of the financial markets in 2008 and changed the whole landscape of banking regulation.



Key Player: Deutsche Bank lost $4.5 billion when the mortgage market collapsed Source: thelocal.de US slams Deutsche Bank for financial crisis role

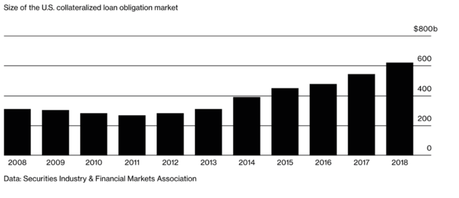
CDOs v CLOs

Their parallel structure, would it make easy for anybody to confuse the two. However, the key distinguishing difference is that CDOs were composed of subprime mortgage loans which were provided to borrowers who couldn't afford the repayments.

CLOs on the other hand, are essentially corporate loans packaged into a security backed by leveraged loans.

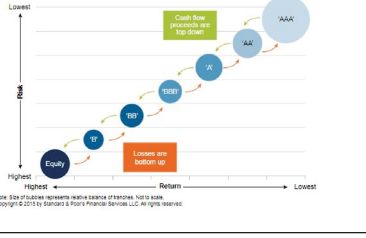
Welcome to the jargon-centric world of finance.

These 'leveraged loans' are described as debt instruments which are undertaken by speculative-grade issuers, defined by the S&P as secured bank loans rated BB+ or lower.



Source: Bloomberg

The market has been rising surely but quietly over the past decade, where figures have doubled to more than $600bn. As the chart shows obligations were around $300 million at the time of the crash in 2008.



So how do CLOs work?

Similar in structure to the CDO, they contain tranches of triple AAA, AA, BBB, BB and B so forth - the risk profile of debt increases as the rating decreases.

Also containing an equity tranche, this tranche is said to 'absorb the cost and receive the residual distribution once the costs have been paid.'[2] The aim: to achieve an above-average return.

What has spurred its revival?

Record low-interest rates across global economies have incentivised borrowers to seek loans at cheap rates, but also has detracted risk preferring investors from opting for the unattractive treasury and investment-grade corporate debt which have extremely low yields.

Investors have instead migrated to these riskier securitised products which can earn up to 13%[3].

There has also been a global bond bubble where world debt levels now exceed $250tn[4]. This global debt has also created fears amongst the IMF who have concerns that the decline in the holdings of liquid assets could mean that investors face the possibility of not being repaid.

In February 2020, high yielding bonds issuances amounted to $73.6bn[5] which surpassed any monthly total seen over the past 25 years.

What are the fears?

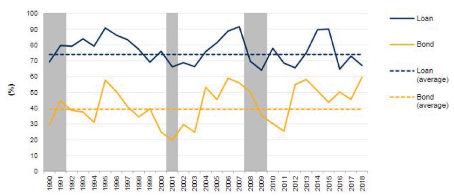
Mumblings of a 2008 repeat have been refuted by many who claim that CLOs detail stronger credit performance and low rates of default, unlike their counterpart.

However, when comparing the size of the markets at the height of their respective bubbles, the CDO's total market size in 2007 stood at $1.2 trillion-$2.4 trillion, whilst the total market size for CLOs is currently $1.4 trillion - $2.0 trillion[6].

As debt obligations are currently so high, there are fears of overheating and an increased vulnerability to shocks. Additionally, stability concerns by rating agencies who base decisions on outlook will seek to downgrade this debt if economic conditions start to falter which may prompt investors to start selling the bonds in an attempt to off-load.

And that has been backed by the S&P Leveraged Loans Primer which detail that the number of US issuers rated B- and below, with a negative outlook, increased from 125 to 1458 in the fourth quarter of 2019 citing worsening outlooks.

On the other hand, the argument is that the increase in the issuance of triple B rated bonds are backed by companies who actually display good performance, highlighted by strong cash flows, suggesting they have enough liquidity to handle the cash burden. It is also said that such leveraged loans have historically high recovery rates in the event of the default.



Note: Calculated for the year of emergence. Loans include term loans and revolving credit facilities; bonds include bonds and notes. Only includes instruments that emerged following default. Sources: S&P Global Market Intelligence's CreditPro® and S&P Global Fixed Income Research.
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However, data from S&P detail default recoveries have been below their long-term averages 'even as bonds have experienced elevated recoveries'.[7] This can be seen to be increasingly evident over the last several years, where leveraged loan recoveries stand around 65%. This ultimately poses the question as to whether the high number of obligations will cause the continuum of the performance below the threshold - and if so, what will be the breaking point if the downward pressure gets too much? The parallels with 2008 are uncanny, and investors who lack expertise and understanding of the complexities will need to pay attention to the danger zones and learn from the last time in an attempt to prevent a history repeat.

But they are risk preferring after all.

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Author Profile

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Understanding Credit Ratings

Constructed via information from S&P GlobalA

Rating Scale	Grade	Description
AAA	Investment Grade	Extremely strong capacity to meet financial commitments
AA	Investment Grade	Very strong capacity
A	Investment Grade	Strong Capacity
BBB	Investment Grade	Adequate capacity
BB	Speculative Grade	Less vulnerable; major ongoing uncertainties
CCC	Speculative Grade	Currently vulnerable
CC	Speculative Grade	Highly vulnerable
C		Highly vulnerable to non-payment
D	Speculative Grade	Payment default

GLOSSARY

Weakest Links – Weakest links are defined as issuers rated 'B–' or lower by S&P Global Ratings with negative outlooks or ratings on CreditWatch with negative implications

Leveraged Loans — a debt instrument undertaken by a speculative grade issuer

Speculative Grade — Credit ratings are those rated below BB+

Mezzanine – A hybrid of debt and equity financing, that gives the lender the right to convert to an equity interest in the company in case of a default

China's State-Owned Enterprises Are Losing Their Oomph!

By Ziyi Zhang (International Exchange Student - Northwest University - Xi'an, China)

Brief introduction of the Chinese SOEs:

A state-owned enterprise is a legal entity created by a government to partake in commercial activities on the government's behalf. Originally major players in the planned economy, they, later on, became more focused as the industry's lifeblood when China opened its market in the 1980s. Majority shares are owned by the government; these production units have been long suffering from low efficiency. They are known to have a close relationship with the Chinese governments, the latter has been supporting the former financially.

Key terms:

Planned Economy – An economic system where the government rather than the free market determines what goods should be produced, how much should be produced, and the price at which the goods are offered for sale.

The recent default of China's Tewoo Group - one of the Fortune 500 state-owned enterprise, has provoked fears and extended to a wave of defaults. The group had previously completed an exchange offer that forced investors to take a significant discount on their holdings in the company's debt[1]. Tewoo Group provided two debt restructuring schemes to the debtors: paying back 63% of the original principal and interest or converting existing debt into new bonds which pays much lower interest. 57% of investors have chosen the first.

Tewoo's accounts have been frozen 12 times since July 2019, with the amounting $25bn not enough to pay back debtors. This default is the biggest default on a dollar debt since the collapse of Guangdong International Trust and Investment Company in 1998. S&P commented that this default is weakening the local economy, as the growth rate was 3.6%, the lowest in China, according to United Credit Ratings Co. "We believe bailouts will be increasingly selective, leading to more defaults by SOEs", said in an S&P Global Ratings note[2].

Investors are worried because this is not the only case of uncertainty in the market. In February, the Qinghai Provincial Investment Group failed to pay a promise to a US dollar bond, indicating that the support from the state is weakening.

China's state-owned enterprises have long been pursued by external investors for two major reasons. The first is the sturdy growth of China's economy and the second reason is due to the low risk given that the state will be backing these enterprises if things go south. However, the slowing down of China's GDP growth is not only a signal that enterprise performance will worsen, but also suggesting that the funds available to the Chinese government are declining.

Furthermore, investors are worried that in the near future, more and more enterprises will not be supported by the state. This may be due to the Chinese economy slowing down or a strategic shift in investor tactics.

Specifically, this reflects the long-term reform of SOEs since the 1980s, with the purpose of improving the performance of these enterprises. Briefly, there are three phases of this reform, one of which is still on-going.

The first phase took place in the 1980s, in which the government allowed workers to hold shares in their SOEs only on a small scale. It started with the attempt of the Beijing Tianqiao Department Store Joint Stock Company. However, conflict of interest of shareholders, employees and the universal share of profits led to a lack of incentives.

In the 1990s, the second phase consisted mainly of reforms on shareholding and the establishment of the Independent Director's System.

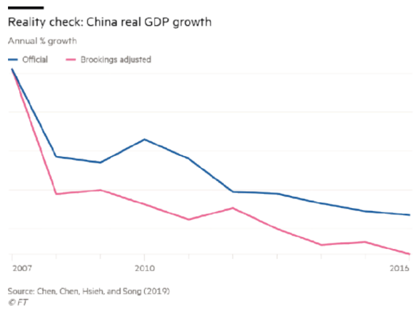
The third phase has been in process since 2013. This phase is a reform that has encouraged mixed ownership, with the purpose to incentivise private companies to hold shares in SOEs. The government expected private companies to make some changes to the loss-making SOEs. These companies are expected to counter the inefficient remnant planning economy system, as they are completely profit-oriented[3].

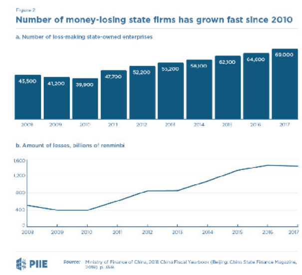
The third phase became essential when the lack of counter-power of investors had caused terrible chaos. To elaborate, the biggest owner of SOEs is undoubtedly the state, who mostly plays a role as a regulator. Other owners have too little power to influence the enterprises. Therefore, managers had been given too little power. Since managers were restricted to hold any share in the company, they had little incentive to conduct due diligence. Consequently, bad decisions were made and the resulting failure fell upon the shoulders of taxpayers, an example of moral hazard.

Unfortunately, this reform is quite fresh, thus the result will still need to be paid attention to. Progress will need to be made, as this has become a party of the SOEs. They are keen to take each other's shares compared with private companies. Examples include the Baosteel's acquisition of Wuhan Iron and Steel Group and Maanshan Iron and Steel Ltd; SPIC introduced capital from PICC, ICBC, ABC and other 5 SOEs[4].

The consequence of not having enough private companies has stagnated SOEs, with high debts and overcapacity. Meanwhile, to carry out the reform, the government has been cutting support, leaving SOEs like children who have just been abandoned by their parents, but yet to have a stable income.

The slowing down of China's economy has become the fundamental reason for the SOEs' decreasing attractiveness. The Acceleration of defaults initially started in 2014, and in 2019 corporate default rose to RMB144 Billion. This is positively correlated with its economic growth. We can see a glimpse of its negative correlation with China's economic growth from comparing the following three graphs.





Another issue which has arisen from the increasing number of defaults is that "communist party-controlled courts" often rule in favour of defaulters who play a major role in the local economy, rather than backing investors who are owed money" [5].

Investors of Dandong Port have faced 7 defaults which are worth RMB 8 Billion ($1.2bn). With insufficient regulations to protect investors, the local court has refused to help, which stands out as a rather unethical occurrence.

Despite the downcast sentiment surrounding SOEs, one has to be very careful when investing in SOEs in China, given the problem of encountering fake SOEs.

For instance, you may not have imagined a company named China Nuclear Engineering Construction has nothing to do with nuclear, instead, its focus lies in the property sector. Like other SOEs, this company made use of its similar name to another SOE counterpart China Nuclear Engineering and Construction Corporation, to create an illusion that it will be backed by the government when facing financial issues[6].

However, the recent surge of China's Yuan and the sign of the U.S. lifting China as a "Currency Manipulator" tag, has encouraged investment to China once again, for sure much of it will flow to state-owned departments. What could happen after this wave? Let's wait and see.

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Author Profile

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STUDENT VIEW

What is it like to take the CFA whilst studying at University?

By Jordan Sims (Final Year BSc Economics)

I will start by saying the CFA level 1 is like no other exam I have ever sat in all my academic years. No joke; it is a very hard exam (and very expensive) and will take up a lot of your time. In my sitting of the exam, only 42% of people passed (Not including me L). However, if like me, you would like to boost your CV, and you are crazy, the CFA level 1 examination could be the perfect course for you. However, before you undertake this exam, I will warn you on average the top students spend between 300-400 hours of revision preparing for this exam. This equated for me between 2-3 hours every day from the end of July until December. I took less than 7 days off over this period and even studied while in sunny Spain.

I will give a brief description here of what the CFA entails but if you have already done your research and are considering it then you probably know most of this and you can skip to the portion of this article when where I will moan about how hard it was and hopefully give some helpful tips.

The CFA which stands for Chartered Financial Analyst will prepare you thoroughly for a career in the financial sector. It is considered one of the hardest financial exams across the globe and if you can pass the level 1 at this early stage then that it is great news and please call me in 10 years with a job offer. Upon completion of all 3 exams and 4 years' relevant experience in the industry, you will be bestowed with the prestigious CFA title of which only 156,800 people hold as of 2017.

There are 7 sections to the CFA level 1 exam all of which have different weightings, the 7 sections are as follows: Alternative Investments and Derivatives (12%), Corporate Finance (10%), Economics (10%), Equity Investment (11%), Ethics and Professional Standards (15%), Fixed Income (11%), Financial Reporting & Analysis (15%), Portfolio Management (6%) and Quantitative Methods (10%).
I decided to sit the December exam which if you go down this route, I would highly recommend as the June sitting may cause conflict with final summer exams and you will have to study while trying to write your dissertation and any other university work. Going for the December exam gives you the whole of summer to get ready and also the first term of university which is very helpful. If you haven't been scared off yet and you've decided to go for it, I, unfortunately, have no magic secret revision technique or golden answer on how to pass. The best answer I can give is consistency, starting early and daily practice. Even when you've been out on a heavy night, or holiday or in extreme cases your dog's birthday, you still need to try and revise every day.

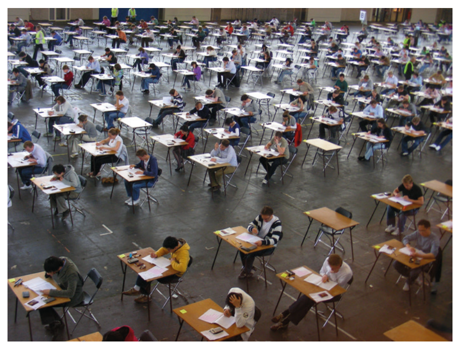
When starting revision, you may be tempted to search around the web for quick answers on how to pass and there are tons of online courses promising quick fixes and that will "cut your revision time in half with a guaranteed pass". In my experience, the best policy is to stick to the official CFA learning hub which is brilliant and all online so you don't need to bother buying the books like me. (Although if you are in the need for some second-hand books feel free to give me a call). When you fire up the CFA learning hub for the first time it will ask you whether you want an adaptive learning plan or structured learning plan.

The adaptive program gives you an initial exam and builds a plan based on this and the structured plan lets you set a finish date and tells you how much you need to complete each day to hit that target date. I decided to go for the structured plan as I wanted to cover all the content in-depth, I also felt with the adaptive plan you might get a couple of questions right by chance and miss content. If like me, you are starting from a place of essentially zero knowledge of most of the topic areas I would recommend going for the structured plan.

The structured plan is also great because at the end of every section you are given a mini quiz on what you have just read in the CFA style of questions which is very useful. The learning hub keeps track of your average score and how you compare to others going through the same process. In the beginning, you will often score very low and the hub very helpfully consistently reminds you of this and how bad you are compared to everyone else. The key to this is to not to let it demotivate you as it did to me many times. You will soon learn that these scores jump up and down like a yo-yo. I went from being in the bottom 40% of students at the start to the top 85% so although you will improve for sure it just takes a long time (like 4 months long).

To make this not too long and boring I will jump to the run-up to the exam as trying to explain all the in-between reading bits would be very tedious. Once you have finished all the reading topics you will feel like you want to take a break and stop, DON'T!!

The best thing you can do is go straight into the practise exams which there are 3 of. Again, with these the first time you attempt them you are likely to score very low; my advice would be to do them all without any cheating and see how you do. The hub breaks down your strong and weak areas for you so you can see what you need to work on. Keep on trying these practice exams until you get a score you are satisfied with. You will, of course, remember some of the answers but I don't think that's a bad thing, in the real exam there can happen similar questions which come up and if you remember the answer without even thinking then that's brilliant you are one question closer to passing.



Finally, you are ready for the exam day, I will say it is a very long 6 hours in total. Don't let this worry you because once you are in the room time flies by. You are unlikely to be pressed for time though so there Is no need to rush. Once you leave the exam hall, I would recommend 100% going out and celebrating whether you think it went well or not, you deserve some time off so make sure to do that.

For the sad news now, if you haven't already figured it out, unfortunately, I did not pass the December exam, I missed out on the pass mark by 3-4%. If you end up in the same boat as me however don't panic, as most people don't pass the first time. Remember that although you put in loads of time and effort those hours spent are gone now anyway and you would've probably only spent them hung-over or bored.

Instead, think about all the knowledge you have learnt and try turn it into a positive.

On many of my applications to masters course's, I told them that I attempted the CFA, it shows huge commitment and a desire to learn which they will love I promise. Furthermore, if you decide to enter into the December 2020 exam, I will see you there my friend because I am going for it again so if you want any revision tips or help come and find me and I will be happy to help. Below I have included a picture of my results so you can also feel sorry for me about how close I was and my contact details if you would like any help.

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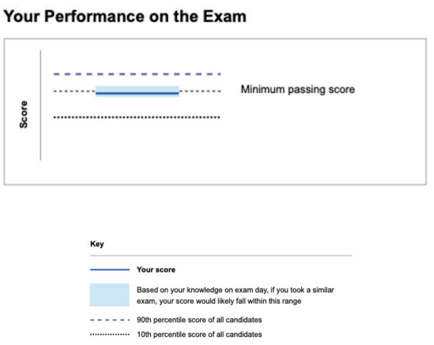

BRAZIL & SPAIN INTERNSHIP

By Monzir Osman (Final Year BSc Economics)

Last summer I completed a two-month internship based in São Paulo, Brazil. During these eight weeks, I worked with AGP Pesquisas, a start-up specialising in market research. Alongside two other interns, I was responsible for analysing the business management and administration within the start-up. During this time, I identified key gaps within the business and conducted a thorough analysis into the state of strategic planning. Through discussions with managers and employees across the departments as well as an analysis into previous projects conducted by the business, we helped the management construct a development plan in-regards to the main needs of the start-up.

This strategic development plan is to help the start-up reach its long-term objectives through a set of actions and guidelines to ensure that the employees and relevant stakeholders are all on track to help achieve the organization's targets. I thoroughly enjoyed working within a fast-paced start-up environment. I was given a lot of freedom and responsibility, that I would have been unlikely to experience within a larger sized organization. I felt valued at AGP and the management took on-board our recommendations and suggestions throughout the placement.

Our supervisors were very impressed with the quality of analysis we had conducted across the two months and we helped identify key gaps and opportunities that the management were previously unaware of. I believe that I have been able to apply to this role, many of the diverse range of skills and knowledge that I have acquired from my undergraduate studies in Economics.

Studying Economics has equipped me with a versatile range of skills that can be applied to an array of professions and industries. The degree provides you with the opportunity of selecting from a large variety of modules that suit your interests, for example, you could be studying anything from mathematics to behavioural economics. Aside from my work with AGP, I spent a very memorable two-months in Brazil. Brazil is a fascinating country, rich with history, culture and breath-taking ecological landscapes. The Brazilian people were incredibly welcoming, generous and quickly made me feel at home.

During time off work, I took the opportunity to visit cities and incredible natural attractions across the country. My personal highlights included trips to Rio De Janeiro and to the Rainforest. Additionally, this experience was a fantastic chance to learn the Portuguese language which I had little prior knowledge of. However, due to the constant exposure to the language, I surprised myself in how quickly I was able to pick up the Portuguese language.

I came across this opportunity whilst on my year abroad at Universitat Pompeu Fabra in Barcelona, Spain. Studying a year abroad allowed me to further develop my Spanish language skills, whilst immersing myself in a new culture and environment. I chose Barcelona due to the cities vibrancy, its rich history and the wide array of events and activities that the city has to offer. Barcelona is a popular destination for lots of young people from around the world to study and work and this allowed me to form many new friendships with interesting individuals from around the globe. The city is geographically perfectly located, facing the Mediterranean sea, as well as being surrounded by an array of mountain ranges and natural attractions across Catalonia.

I would highly recommend other students to make use of the Essex Abroad opportunities that are available to you. Whether that is through the study abroad programme or via an overseas work placement. My experiences abroad have had significant positive effects on both my personal and professional development and I believe that this year abroad has made me a more well-rounded individual. It has significantly improved my self-confidence, my ability to adapt to unfamiliar environments and has allowed me to learn two new languages. I am very grateful to have had these experiences and I will always look back at this time fondly.

UNDERSTANDING COMPLEX MODELS

By Asher Javad (Final Year BSc Economics)

The daunting task that lay in front of me was to understand the Philips Curve, simple at first glance but much like looking at the world through a glass.

The first suggestion I would give is to use a textbook, I used Advanced Macroeconomics by David Romer to start my understanding of the models it presents. A key concept found in many complex models is that they start by considering the simplified cases - which allows one to grasp aspects of the model before adding new parts to them.

In this, we can first consider the Real Business Cycle (RBC), which can initially be considered in a baseline model with many simplified assumptions about the nature of markets. Since more recent macroeconomic models, we start with specific aspects of the models, which allows for a greater understanding of the interactions in the model. In David Romer's textbook, for the RBC we start on the Production function, from which we can derive wages and interest rates which are real and easily measurable parameters - rather than a production function. The Production function helps us understand producer behaviour, but we also need to consider household behaviour, which in this case is represented using the Utility function - which shows a tradeoff between leisure and consumption. This way of going about building a model does not only make it easier to understand, but also allows people newer to the economic field to observe the interactions of the various aspects of microeconomics, and how they give rise to macroeconomic behaviour.

This use of microeconomic principle to reach macroeconomic results is known as micro-foundations which many models have now embraced. These initially required a level of greater mathematical knowledge which may have scared people away, but it is important to note that the math is something that one can learn with a little effort; whether through YouTube, a recommended textbook or simply asking for help from a lecturer. Embracing these models allows their assumptions to be displayed more clearly, as well as the consequences of these assumptions allowing a more thorough critique of the models, through its assumptions than in previous iterations of similar models.

Moving to the Philips Curve (A.W.Phil lips, 1958), we initially learn of only the tradeoff between inflation and unemployment. This paper is an empirical observation with no theoretical justification when the paper cited earlier was published. However, if one only takes a step into the future iterations of the Phillips Curve, the model is iterated on with more complex estimation techniques which account for endogeneity as well as the policies of central banks to control inflation.

The major shift in the Philips curve came mostly after the 1970s, where stagflation had led to the rejection of the Philips curve, in order to convince the economic sphere to revive the Philips curve until Calvo pricing (Calvo, 1983) and Taylor pricing (Taylor,1979,1980). However, having said that, these micro assumptions were criticized by neo-classical economists for being too unrealistic, as Calvo didn't give a specific reason that firms couldn't change their price. Considering Taylor's labour costs, it may be labour costs only make up a small portion of costs. These two set papers strengthened the assumption about adaptive pricing which postulates prices take time to adjust and helped strengthen the Philips curve using microeconomic foundations. This renewed the interest in the Philips curve which ultimately evolved into a Dynamic Stochastic General Equilibrium model (Schorfheide, 2008) – a model which required more rigorous mathematics to solve. The tool for this had already been created, namely a maximum likelihood function which is an estimation technique used when an analytical solution cannot be found.

FEELING BLUE?