



WAX
Wharton Asia Exchange

Volume 5 | Fall 2011

IN THIS ISSUE

ASIA
WHAT IS
GOING ON?

**AND THE
REST OF
THE WORLD**
WHAT IS
GOING ON?

OCR
WHAT IS
GOING ON?



WHARTON
ASIA
JOURNAL



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Editor's Note

We are proud to present to you the fifth issue of the Wharton Asia Journal! This past summer was rather eventful; in this issue of the Journal, we have chronicled some of the most significant developments this summer in the business world and their potential global impacts. In addition, this issue will also share some very talented individuals' internship experiences in the consulting and finance industries.

I would like to thank the Journal Staff, WAX Board, the interviewees and all the contributors for their time and effort. This would not have been possible without help from each and every one of you. Be sure to also check out our website www.whartonasia.net/journal1 and please contact me at cren@sas.upenn.edu with any inquiries or suggestions.

Enjoy the articles!

Henry Ren



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Picture credit: Jessica Xu

SUBSTANDARD & POOR

The United States should take heed of S&P's message

By Jong Hoon Kim

It was a humbling moment for the United States: Standard & Poor's decision to strip the country of its triple-A credit rating on August 5th came at a particularly sensitive time. Such action drew sharp responses from federal government officials who immediately attacked the ratings agency.

Was S&P justified in its action? The situation was arguably as significant for the downgrader as well as the downgraded. As details of the decision later trickled out, the rating agency's decision was questioned and its reputations were stained by their gross overestimation of the quality of mortgage-backed bonds before the credit crisis.

The harshest criticism is that S&P and its peers should not be in the business of rating the American government. A credit rating is far less relevant to Treasury bonds than it is to, say, a corporate bond. The United States government has ample taxing power to repay its bonds; its central bank, like that of any country that controls its own currency, can simply print the money needed as a last resort, albeit at the risk of inflation. As if to underline the point, yields on US Treasury bonds actually fell during the days after the downgrade, as investors fled to them as a haven.

However, the basic fact is that credit ratings

are useful for investors: if the likes of S&P did not exist, the market would invent them. Regardless of the government's criticisms, a ratings agency's job is to rate bonds, including government ones, and to speak out when it thinks one of the most secure assets in the world has become riskier. So did S&P get it right?

The gravity of its announcement was not helped by its dodgy analysis. Before releasing its report to the public, S&P notified the Treasury Department. The department soon discovered that the firm had overstated cumulative deficits by some \$2 trillion, inflating the debt by 8% of GDP in 2021. S&P corrected the error but went ahead with the downgrade, revamping the announcement to elevate politics as a main rationale for the move. Critics also questioned the timing of the announcement. The downgrade was announced even after President Obama and Congress had reached a deal to raise the United States' debt ceiling; as part of the deal, a panel has to come up with deficit-reduction plans which Congress must accept or reject by December 23rd; if the panel fails to agree or if Congress rejects its proposal, automatic spending cuts are triggered in 2013. Despite such clause, S&P went forth with its credit downgrade, while Moody's and Fitch, the two main rival agencies, gave America the benefit of the doubt, at least for

now.

Yet as flawed a messenger as S&P is, its message should still be heeded. Even after cleaning up its math, it concluded that America's debt was rising unsustainably as a share of GDP in contrast to other AAA+-rated countries, such as Britain and Germany. Those countries have put in place plans to stabilize that ratio (a similar rationale explains why Moody's has a negative outlook on America's rating). As for the timing, the debt ceiling deal passed in Congress prior to the downgrade was simply inadequate. It focuses its cuts on discretionary spending, which future legislatures can easily override. More durable deficit reduction means reforming both the tax system and entitlements such as pensions and health care for the elderly. And there is no guarantee that Congress will allow the deal's spending cuts to occur.

Above all, S&P's verdict is based on the state of American politics: the inability of the politicians to deal with the budget and their apparent political brinkmanship. S&P argues that America's policymaking has become less predictable and its finances less manageable. The threat of default, previously unthinkable, is now a bargaining chip in Washington. This is not how an AAA+-rated country behaves. Some could argue that S&P did America a favor by pointing this out.

OCCUPY ASIA?

BY DAVID CHEN



As the Occupy Wall Street protest in New York rages on, the Occupy movement has also spread to cities across the globe as well. Asian countries are included in this trajectory; protests in Tokyo, Taipei, Hong Kong, Seoul, and Singapore have emerged.

Protestors in Tokyo have gathered outside the Ministry of Economy, Trade and Industry, as well as the central electric power company to protest government actions taken after the post-earthquake nuclear disaster in March 2011. Taipei saw protesters gather outside its landmark building, the Taipei 101, to protest the Taiwan Stock Exchange headquartered there. In Hong Kong, protestors gathered in the main business district, Central, where signs indicated anti-capitalist sentiments and anger at income disparity in the city. Smaller

crowds gathered in Seoul and Singapore as well, where protestors expressed solidarity with the New York movement.

In each instance, the protests have very closely mirrored the one seen in New York. A wide range of demands have been presented by the protestors, though a general sentiment against banks and corporatism prevails. The protests have been centered in the main business districts of each country's most important city, and have used the slogan "99 percent" to embody the people they claim to represent: the 99 percent of people who hold the least wealth.

What potential implications do these protests have for Asian business? Just as it remains to be seen what tangible impacts are felt on Wall Street from the New York protest, only time will tell whether

any significant reform to financial systems in Asian countries will result from the Occupy protests there. Criticism levied against the Wall Street protests have included the fact that there are no clear demands, that anti-capitalism sentiments are misguided and/or absurd, and that the protestors themselves are overly entitled and uninformed.

Yet others say that the movement does represent potential for real change to happen; the fact that the movement has spread so far in such a short period of time says something about its worldwide resonance and its representation of many peoples' sentiments across the world. Whether or not this results in a political, economic, or social overhaul of the existing systems depends on how the protests and the movement unfold in the next few months or even in the subsequent years.

IT Industry: CHINA'S COPYCAT CULTURE

By James Chai

The loosening of restrictions on a countrywide and regional basis has in part fueled China's economic growth over the last few years. As such, innovation and invention flourished where it once was repressed and controlled. However, such expansion has not come without the cost of some growing pains. While there has been a great deal of entrepreneurial spirit in recent years, many of the business models Chinese tech companies use are copied directly from successful ventures in other nations, including the United States. There is a great deal of human capital waiting to be tapped, but most efforts are focused on imitating seemingly proven models instead of inventing the next new great idea.

Even the biggest and most popular Chinese websites are based in part on American innovation. Websites and services like Weibo (a microblogging platform similar to Twitter, used by over 30% of Chinese internet users) and Taobao (consumer to consumer platform akin to eBay) were developed after their American equivalents were launched. A great deal of their domestic success is also due to the control the Chinese government still holds over publication and the establishment of international corporations. Anything published online is also subject to scrutiny, limiting international companies who oppose internet censorship – with the more recent Google China incident being an example. As such, these Chinese IT companies often hold great market share within China itself, but comparatively little in the rest of the world.

In the Web 2.0 world, companies are springing up almost nightly based on the strength of their new ideas.

Websites and ideas like Airbnb (listing service for private homeowners that can be viewed by users), Square (an easy credit card processing platform), and Instagram (popular photography application with explosive user growth) have all sprung up recently and have received billion dollar valuations.

While the base ideas are the germinating points for the companies, execution of said ideas and continued development and expansion are just as vital to the success of these companies. For instance, a successful idea like Youtube or Groupon often spawns hundreds of copycat Chinese websites hoping to capitalize on the explosive growth and popularity exhibited by those companies. Since only the beginning features can be copied, the resultant Chinese companies do not have sustainable models that lead them to continued growth and popularity. In addition, there is very little out there to differentiate the Chinese companies from one another, leaving only a few to actually reach popular notice after the span of a few months. Often times, only the idea is copied, without the actual understanding of what made the concept so promising in the first place.

As a result of this copycat culture, there has not been a Google, Apple, or Microsoft- like company to originate from China, and will not be one until the general attitude of the industry shifts away from blatant copying in hopes of a quick profit, and toward one that places greater emphasis on originality.



Figure 1. An infographic by Ogilvy 360, depicting the Chinese counterparts to American media platforms. Image source: <http://i.imgur.com/zMp1E.jpg>

By T-Off Chutima

Thailand, a country of 64 million people, is still considered a minor player in Asia. Yet, it made the headlines in 1997 as the country which started the Financial Crisis. By analyzing the economic fundamentals and outlining the attractiveness of the capital market, this article aims to inform the readers of Thailand's increasing importance in Asia.

Thailand's economy has been growing at an attractive rate. Its 7.8% GDP growth in 2010 makes the country the fastest growing economy in Southeast Asia and the second largest in the region, after Indonesia. The country is heavily export dependent, with export accounting for almost two-thirds of its GDP and exports have grown by 29% in 2010. Thailand is the world's largest rice exporter and is among the world's top manufacturers of automobiles. The number of automobiles produced in the country rose by 63% to 1.6 million in 2010. Aside from building vehicles, the manufacturing of computers, electronics parts, garments, footwear, furniture, wood products, canned food, toys, plastic products, gems, and jewelry have contributed to Thailand's economic growth. The country is also an increasingly popular tourist destination. Not only is the country recognized for its beautiful beaches and islands, its status as the gateway to other Southeast Asian countries and as a popular destination for the filming of motion pictures contribute to such growth.

The Thai capital market remains an attractive investment destination. In 2010, despite some political instability, the Stock Exchange of Thailand (SET) experienced a surge in trading volume and market index. This is a reflection of local individual and institutional investors' confidence and continued capital inflow into the country in the second half of the year. In 2010, the SET Index rose by 40.60% y-o-y, closing at 1,032.76 and the MAI (Market for Alternative Investments) Index rose by 26.70% y-o-y, closing at 272.79. The average daily trading volume for SET and MAI combined was THB 28,668.97 million, an increase of 59.47% y-o-y. In terms of capital

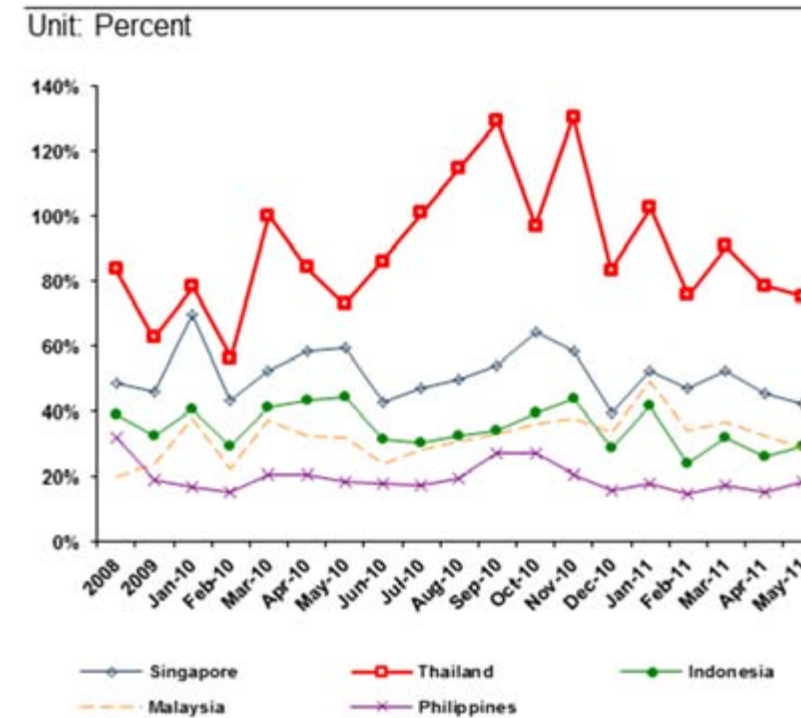
inflow, the funds raised by Thai listed companies rose by 156.82% y-o-y to THB 90,527.67 million.

There are many factors contributing to such developments. The following factors are just a glimpse of some of the reasons Thailand has become an important player in the Asia economy.

1. Thailand's macroeconomic performance remains strong as stated earlier, as earlier statistics stated.
2. Listed companies generate high return for investors. In 2010, the net profits of the Thai listed companies increased by 38.98% y-o-y to THB 594.46 billion. The net profit margin also rose from 6.38% in 2009 to 7.50% in 2010. Moreover, Thai listed companies have relatively higher dividend yields compared to their regional counterparts. The average dividend yield for SET and MAI were 3.82% and 4.33% respectively.
3. Many Large Cap companies in Thailand attract non-resident investors. There are 24 listed companies with market capitalization exceeding USD 10 billion and daily trading value exceeding USD 10 million. This number is close to the number for such companies listed in Singapore (26) and exceeds the numbers for Indonesia (9) and Malaysia (8).
4. The Thai stock market has the highest liquidity in the region. The Turnover velocity for SET in 2010 was in the 60-120% range, the highest in the Southeast Asian Region.

Despite some uncertainty in the country's political climate, the high growth prospect in Thailand's economy and the attractiveness of its capital market make the country a popular investment destination for investors across the globe. If the country is able to move beyond the politics, foreign investors will no longer hesitate to invest in Thailand and the country will become an influential player in Asia.

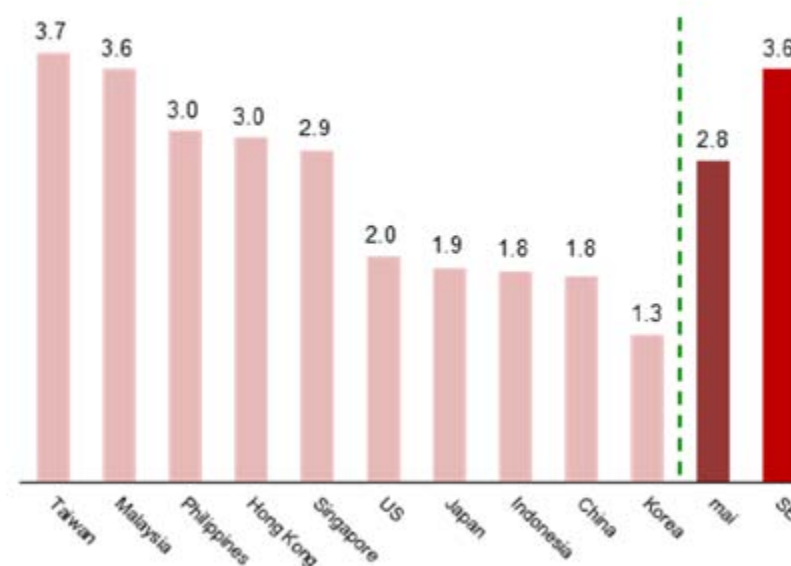
Share turnover velocity (2008 – June 2011)



Thai listed companies have relatively higher dividend yields compared to their regional counterparts as noted by the MAI (Market for Alternative Investment) Index and SET (Stock Exchange of Thailand) figures in the graph. Source: Bloomberg

Market Dividend Yield

Unit: percent; data as at end 14 July 2011



Share turnover velocity is a measure of liquidity in the market, measure by the amount of share turnover annualized divided by the market capitalization of the exchange. Source: World Federation of Exchanges

WHEN THE MUSIC STOPS

By Henry Ren

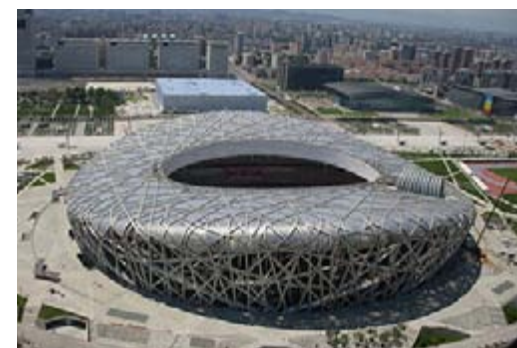
After hosting the 2004 Summer Olympics, Greece is again in the international news. Unfortunately for the Balkan nation, it is making headlines for all the wrong reasons. By now, most people know or have heard that Greece is on the verge of defaulting on its national debts. Years of reckless spending and flawed economic policies have resulted in the current situation. A Greek default would destabilize the European Union, and the ripple effect would be felt by nearly every country in the world. Many have actually point to the 2004 Summer Olympics as a contributing factor to its current economic crisis. These individuals are often the same group of people who question the supposed benefits of hosting the Olympic Games. However, such argument oversimplifies the issue, and is proven inadequate when is used to evaluate other former Olympic cities such as Beijing.

As most economists would agree, the 2004 Olympics did not lead to the Greek debt crisis. However, the handling of the Olympics does illustrate the Greek government's flawed economic practices. Rather than labeling the 2004 Olympics as the cause for the present situation, one should view the \$14.4 billion event as just one example of Greece's excessive spending over the past decade. As reports have pointed out, 21 of the 22 facilities built for the Olympics remain unused. These empty stadiums drain Greek taxpayers' money due to their maintenance and security costs. Yet, one could argue that without the infrastructure that was built for the Olympics (many of which modernized the transportation system in Athens), current Greek society would be in an even worse shape than it is in now. In comparison, Beijing hosted the 2008 Summer Olympics, and while some Olympic stadiums remain unused, China has planned to utilize many of the buildings built for

the Olympics for future events. Improvements in areas such as transportation and environmental awareness have further modernized the city of Beijing. Perhaps more importantly, China can afford to have some unoccupied stadiums. Unlike Greece, the Chinese economy has been booming for the past decade. The Chinese national deficit has been decreasing since the early 2000s and it is not in danger of suffering a major financial crisis any time soon. Thus for China, these modern amphitheatres are not representations of empty promises, but rather symbols of rapid modernization.

Perhaps that is the moral of the story: don't acquire things that you can't afford. Rather than blaming the Olympics for incurring tremendous costs for the host country, one should question the country's decision to bid for the Games. Perhaps in bidding, it is important to evaluate whether a country can recover from the costs spent on the Olympics. News have come out that London has cut over \$38 million in spending for the Olympics as a way to battle its own budget deficit. It is not difficult to speculate that such action has probably come as a response to public outcry against wasteful government spending. As Greece has learned in recent months, national pride and publicity from hosting such a world-celebrated event are all well and good, but one day somebody has to pay the piper. Unfortunately for Greece (and the rest of the world), it just might not be able to cover the bills.

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The "Bird's Nest" Olympic Stadium in Beijing
Image source: <http://i.thisislondon.co.uk/i/pix/2008/08/beijing-drug-alert-415x275.jpg>



Graffiti covers a stadium at the Faliron site
Image source: <http://www.dailymail.co.uk/news/article-1036373/Abandoned-derelect-covered-graffiti-rubbish-What-left-Athens-9billion-Olympic-glory.html#ixzz1jT6eXAh>



PHILIPPINES:

Sick Man of Asia or Growing Tiger Cub?

By Paulo Bautista

Do you know how people sometimes put quotes or links at the bottom of their emails? One day, I got one from my grandfather encouraging me to visit the website of the National Philippines Competitiveness Council. It turns out that, while he's technically retired, he's still working toward helping make the Philippines more competitive in the modern world. And while it's easy to focus on the "Four Tiger Nations" of Singapore, South Korea, Taiwan, and Hong Kong, a case can be made for the Philippines as well.

Shortly after gaining its independence from the United States in 1946, the Philippines had a bright future as the second richest economy in Asia following Japan. However, economic mismanagement during the regime of former President Marcos between 1965 and 1983 resulted in the slowing growth rate of the country. After Marcos was overthrown, it was not until 1992, when President Ramos enacted the "Philippines 2000 Plan," that the nation was able to achieve Newly-Industrialized status. This occurred largely through privatization, reduction in government spending, and promotion of national unity. This plan is largely credited with speeding the country's recovery from the 1997 Asian Financial Crisis (Philippines GDP loss: -12.5%, South Korea: -18.5%, Indonesia: -42.3%).

Today, the Philippines is currently classified as a Newly-Industrialized country, with agriculture, industry, and service making up 13.8%, 30%, and 56.2% of its \$200 billion GDP and 32%, 13.7%, and 46.5% of the workforce respectively. It is the twelfth most populous country in the world (94 million), and 7.1% are unemployed and 39.2% live below the poverty line. GDP growth is projected

at 7.6%, with inflation at 4.5%. However, despite these negative factors, the Philippines was one of the only countries in the world to have positive economic growth in 2009, sidestepping the worst of the effects of the 2007-2008 financial crisis.

One of the most notable factors of the Filipino economy is its reliance upon Overseas Filipino Workers, also known as OFW. A group of 11 million Filipinos living abroad, OFWs work mostly as domestic servants in a variety of fields, with the United States and Saudi Arabia as the most popular destinations. This practice is so prevalent that in the United States, Filipinos are the second most prevalent Asian demographic and Tagalog is the fifth most commonly spoken language. OFWs remit a portion of their salary home, which is taxed by the government. This has generated about \$17.3 billion in GDP, exceeding the amount of foreign direct investment.

Despite the imperfect situation, the Philippines still has much potential for growth. Goldman Sachs names the Philippines as one of the "Next Eleven" countries that have the potential of becoming some of the largest economies in the 21st century, and the Philippines is projected to be fourteenth by 2050. It is also considered to be one of the "Tiger Cub Economies," the four countries in Asia to watch after the aforementioned "Tiger Nations."

In line with its history with the West, the Philippines is also export-driven, producing goods that are sent to other countries. In manufacturing, this can range from cars to processors, cell phones to hard drives. Due to the natural beauty of the Philippines, tourism is also

projected to grow rapidly. However, the single biggest sector that can push the Philippines' economy forward is in business process outsourcing. Employing 525,000 people and generating \$9 billion annually (with 26% annual growth), this industry accounts for 15% of the global outsourcing market. This has caused the Philippines to overtake India as the industry leader. Call centers notably consist of 80% of this industry, across 788 centers; thus, the Philippines is a prime destination for the \$150 billion industry. Its success can be attributed to cheaper operational costs and the prevalence of English throughout the country. Also outsourced are animation services, which do work for studios like Disney and Cartoon Network, contributing to the 90% market share Asia has on animators. The Philippines' Western influence allows Filipinos to understand Western nuances, placing them in high demand among cartoon studios. Filipino artists have worked on high profile projects such as Marvel's "Wolverine," and Pixar's "Finding Nemo." Other notable industries include geothermal power (as the Philippines is the second largest producer worldwide), and shipbuilding (an industry in which it ranks fifth worldwide).

In conclusion, while the Philippines may never be the financial powerhouse of Hong Kong or Singapore, the country has uniquely placed itself in a situation where it cannot be ignored by anyone planning to do business in the manufacturing, tourism, business process outsourcing, or animation industries in the region. While I may not immediately pursue a career in the Philippines, I too, like my grandfather, hope to help the Philippines fulfill its potential and become a true Pearl of the Orient.

Censorship in China

By Salina Lee

What happens when you Google-search “Tiananmen Square?” Links to Wikipedia, YouTube videos, BBC News, and travel attractions appear, relating to the historical 1989 massacre at Tiananmen Square and the present-day tourist attraction. Imagine doing the same internet search while in mainland China. The results that appear will be drastically different. The only links you will see and will be able to access are all relating to attractions and guided tours available at Tiananmen Square. The stories concerning the protests of 1989 will be practically nonexistent.

Censorship in China has been strictly enforced since the late 1990s when internet in China became widely accessible. While there is no outright list or regulation of banned material, general information, searches, and news, including blogs and chat rooms, deemed inappropriate by the government will be erased by the country’s internet police. The “Great Firewall of China” blocks access to certain websites, filtering out searches to display error messages or search results with limited links. Many blocked searches and websites include political and spiritual groups/reforms, democracy, and pornography. Such informational control restricts users’ access to the knowledge of the outside world, preventing the circulation of so-called radical ideas and communication. Even social networking sites such as YouTube, Facebook, and Twitter are banned within China.

In 2010, Google negotiated with the Chinese government a renewal of its license to operate in mainland

China after a series of disputes and shut-downs of the search engine in 2003. Prior to the new negotiations, Google refused to conform to the censorship regulations, which led to jammed databases and slow retrieval of information as the Chinese firewall blocked the search results. Seeking ways around the censorship, Google managed to automatically direct users to google.hk, which was not regulated due to its location (the Chinese Firewall can only block internet use within mainland China) and certain political autonomy. However, in order to remain in the internet business in China’s market, Google now has google.cn operating in the mainland, which is subject to the filters and censorship from the firewall. However, there is still a link to google.hk for users to access uncensored search results. Internet searches through google.cn often display links to websites containing banned material, but such links cannot be connected due to blockage from the Firewall. Google’s compromise with the Chinese censorship laws has allowed it to stay in China’s internet market, but its refusal to adopt the practice of banning all material the government regulates had led to a slow search traffic and database problems, leaving local Chinese internet companies such as Baidu and Tencent to retain more than 50% of the market.

“Such informational control restricts users’ access to the knowledge of the outside world, preventing the circulation of so-called radical ideas and communication.”



Censorship is not limited to just the internet in China. TV and other forms of social media are monitored for the type of news that is permitted to be broadcast. My personal experience in Shanghai includes censorship of the BBC news, during which sections of reports relating to riots in Tibet were blacked out for minutes at a time. Other similar experiences involve blipped broadcasts of Pope John Paul II’s funeral or incomplete news casts of events from the local Chinese news station. This summer, a high-speed rail train crash in Zhejiang was poorly covered by local Chinese news stations due to censorship prohibiting interviews and provided only limited information as to the details and causes of the accident. Within two days, the government broadcasted a brief and general overview of the accident before all other news coverage was taken off the air completely.

As a foreigner in China, such censorship and restrictions to news and information can be frustrating, but there are methods of bypassing the Firewall. VPN (Virtual Private Networks) and proxy services can be bought and installed to a computer, and they effectively scramble the IP address and block interceptions from hackers and government blocks. This secure encryption protects the computer’s identity and allows for a secure network for internet access, effectively bypassing the China’s Firewall. While a VPN does provide a secure system for the internet, should a large anti-Chinese government organization begin communications through the internet and pose a potential threat, it is likely that the Chinese government will quickly dissolve the organization.

Government censorship is often claimed to be pursued in protection of the people’s decency. Yet what does nation-wide

censorship mean for the Chinese people and for the spread of information? The internet is a tool for access to global news and ideas that stimulates communication among people everywhere, with different backgrounds, different cultures, and different beliefs. Despite its position in a global world, China uses censorship to prevent its people from searching for information and determining the truth of information independently; rather, its people are placed under limitations as to what type knowledge they can access, determined by what the governments feels is appropriate. The question now is how long can the government control such a huge population of people from gathering information, if they become seriously interested in obtaining it?

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A Timeline of Asia OCR

By Salina Lee

By their second month at Wharton, students are acutely aware of this anxiety-causing, stress-building, evil called OCR. Yes, they have figured out that OCR stands for On-Campus-Recruiting and that it is apparently an essential part of their Junior year, but many students don't know much about the actual process and what it entails until they find themselves in the midst of it. We now provide you with an exclusive insight from, **Ivy Tse**, who, one can say, aced OCR.

Ivy Tse

BSc in Finance & Accounting | Wharton School 2012
Summer analyst (2011), IBD | JP Morgan HK
Full-time analyst, IBD | JP Morgan HK



SUMMER BEFORE JUNIOR YEAR

Research, research, research. Goldman, JP Morgan, Morgan Stanley, Credit Suisse... investment banks, securities, asset management...

If you know you want an internship doing IBD or sales and trading, research which firms are better catered to your interests and qualifications. Having the knowledge of these firms and what they do exactly will give you background to know which firms to apply.

OCTOBER

Apply, Submit, Test

I actually studied abroad in Belgium during fall junior year, and completed all the applications online. Most banks only require a cover letter and resume, though some also have short questions in the applications, such as "why did you choose this bank, etc."

Within a week of your submission, I received an email to complete the online screening test. Those of you interested in Asian OCR should prepare ahead for these assessment tests because European companies with an office based in Asia will require that you pass their screening test. It's similar, though shorter, than the SAT and tests your verbal, math, and logic skills.

NOVEMBER TO END OF DECEMBER

Wait. Go to classes, try to be normal. Pretend that the bulge banks and interview questions are not running through your head all the time.

Basically, if you have done well so far, you receive zero communication from the companies, so no news is good news.

END OF DECEMBER

Phone Interviews

Banks emailed me to schedule phone interviews. As the companies go through all the applications, you get notifications at different times. Even if your friends have been getting calls and you have not, don't panic because order of interviewing doesn't matter. It all just depends on the company. Prepare in advance your answers!

The interview consists of four types of questions:

1. Introduction/behavioral
2. Why banking/this bank
3. Technical, relating to the division you applied
4. General economics

JANUARY

Final Round interviews

11:00 AM, NY Office

You, along with other potential interns, are sitting in a lush room trying to wipe the sweat from your hands, going over the financial newspaper, smoothing down your already crisp straight skirt, all in anxious anticipation for the first interviewer.

11:30 AM

"How does a \$10 depreciation affect the different financial statements?"

"Assuming a 40% tax rate, in the cash flow statement, net income goes down by 6, but you need to add back the 10 depreciation so at the end, cash increases by 4. For the balance sheet, PPE goes down by 10 and cash increases by 4. For income statement, net income goes down by 10."

12:00 - 2:00 PM

Repeat the interview process with 3-4 different interviewers, sometimes Associates and Managing Directors. (If you applied to the Asian office, some banks will ask you to take translation tests.)

Within a week, the company will give you a call with an offer for the internship. However, if you do not get an offer, some banks just never contact you at all.

AFTER THOUGHTS

In reflecting on her OCR junior year, Ivy felt that the final round interviews were most stressful because she knew she was very close to getting the internship. Even though she knows the interview questions OR answers fairly well (having already passed so many interviews), it's the pressure of not messing up this last critical part. She also commented that most of the time, after an interview, she already knew whether she passed the round because it depended on whether the interviewer liked her, something that you can sense during the interview.

Ivy is also a JP Morgan student ambassador. If you're interested, take her out to lunch and she might write you a recommendation. (But only if you pass her initial screen—minimum 3.9 GPA and first round phone interview...) She has to maintain that JP Morgan attitude for high qualifications! (Just kidding; she is willing to answer questions/chat with you.)

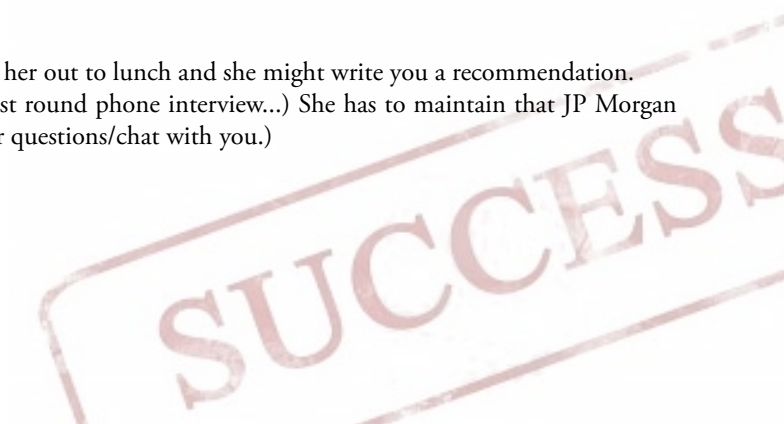
Get in touch with her at yantse@wharton.upenn.edu.

SNAPSHOT: A Typical Phone Interview

"Why do you want to work at JP Morgan?"

"I talked to friends who interned with you last summer, and I think the people there are very nice and helpful. JP Morgan is *the* top bank in Asia, and I want to work on landmark deals such as AIA IPO."

Some firms invite you to multiple rounds of phone interviews, with different bankers and recruiters, but they generally ask the same questions. After your initial phone interview, the firms might not get back to you until late January - mid February when they invite you to their NY office for a face interview.





CONSULTING OCR: A PRIMER

By Austin Chang

Some of you may have read my last WAX Journal article on consulting as a career path (if you haven't, you should go to the WAX website and read all of our past journals!). Today however, I would like to present a practical primer on recruiting for consulting positions.

To be sure, consulting is not an easy career path to break into, particularly for a recent undergrad. Why should a Fortune 500 company pay you an exorbitant sum to advise them, when most likely, the only people you've "advised" in the past are elementary school and high school students that you've tutored? It is for reasons like this that make consulting a very difficult industry to get into, for both summer internships and full-time recruiting.

Let's go through the steps in the recruiting process, which are quite similar for summer internships and fulltime positions:

Apply

You go through listings on PennLink and drop your resume, cover letter, and transcript for the positions you want. Firms will take a very wide range in number of students to interview, from less than 20 or so for the boutiques to 200 at firms like BCG for fulltime positions. The number of interview slots will generally move positively with the size of the firm.

The process for firms is staggered across a period of about a month, but let's say you get picked for a firm of which you have a particular interest. Usually the next step is an invitation to a "night-before" networking event with the firm's practitioners, some of whom will be your in-

terviewers the next day. You and the other students will spend 2-3 hours drinking, snacking, and networking with the practitioners. These are usually "optional," but it is definitely in your best interest to go, as it will come in handy when the interviewer asks who else you've met at the firm. Also, don't get drunk... in fact, if you have trouble controlling yourself, I'd highly recommend not drinking at all. I go for iced tea usually.

Round 1 interview day

Get to the OCR suite 15 min early. Most of the time you will have 2 back-to-back interviews, usually set up as 1 long case and 1 fit or 2 part-case, part-fit interviews. The resources I've found most useful are Case in Point and caseinterview.com. You should also try to find or ask around for casebooks produced by MBA consulting clubs, which are amalgamations of real cases members had in the past from various firms.

In the interview, it is absolutely crucial that you come off as energetic and enthusiastic about the firm/position (and more importantly, you should actually be enthusiastic!). The reason behind this is simple: the interviewer probably will go through 7 or 8 45-minute interviews in the day and will hear many of the same ideas. This is particularly true at Wharton, where many of your classmates are going to be just as qualified as you academically. To differentiate yourself, you must also excel on the "soft" side and make it clear that you know exactly what you're getting into and why that particular firm fits you well (this ties back to attending the night-before event and being able to talk about all the people you met).

Round 1 goes well and both interviewers are highly impressed by you. You will likely get a call the night of your interview with your results: it's Monday and they want you to come into the office in New York for a Final Round series of interviews (in banking, called a Superday) this coming Friday. Of course, all your expenses are paid for during the trip, i.e. transportation, hotel, and food.

You sign up online for an afternoon interview slot in New York on Friday and book a train for Thursday evening. Some firms have another night-before event for the Final Round, which usually consists of a dinner and more networking. At this point, it's pretty clear to the firm that you are interested and a lot of your networking that day should be focused on learning as much about the firm as possible. Dinner ends and you crash at the hotel.

Final Round interview day

You wake up, shower, and get breakfast. Interviews start in the afternoon for you, so you spend your morning continuing to prepare cases. It's important to have figured out your "flow," meaning you should know how and when you operate at your peak. I, for example, operate at my best around 1-2pm in the afternoon, having eaten and gone to the bathroom about 2 hours before the interview. I also usually head to the office relatively early, planning to arrive about 45 minutes before the interview and lounging at a nearby Starbucks beforehand. You need to figure out what works for you.

You enter the office 15 minutes before your scheduled time and head upstairs. You're greeted by the receptionist, who directs you to a "holding room" with the other candidates. Nervous small talk goes on for a couple minutes until a Senior Manager walks in and calls your name. You follow him to his office, and the interview begins.

For example, I've been asked questions such as "teach me something, anything" which resulted in me walking a Partner through the rules and swing techniques in tennis.

Interviews in the final round are pretty similar to those in the first round, except for the fact that they are usually with more senior people. Instead of being interviewed by Associates (usually the term for post-MBA positions), you will likely be interviewed by Se-

nior Managers and Partners. While they will usually walk you through another case interview, they have essentially infinite leeway when it comes to types of questions (after all, they are the most senior folks in the firm).

Other than that, however, most final round interviews are quite similar to those from the initial round, and you will likely go through 2-3 cases and potentially another interview dedicated solely to gauging your "fit" with the company.

Usually within a week, you will find out your results (some firms get back to you within a few hours, but almost all will give you a "yes" or "no" within a week). If you haven't heard back within a week (and they haven't contacted you yet), it is highly likely you've been placed on a waitlist.

The good news is that by the time you've finished just one week of real case interviews, you'll more than likely already be in the "groove" and will probably be much less nervous about the upcoming ones. Depending on how many firms you apply to and how many second rounds you get, you may end up doing anywhere from less than 10 to 30-40 live cases in the span of just over a month.

Overall, recruiting in consulting has been one of the most challenging periods of time in both college and in my life. There is so much at stake, yet it's also very easy to feel like you just need to "take a breather" in the middle. But, you can't. Everyone else will be trudging along, putting their all into every interview, and you need to do the same. Good luck!



Austin Chang will be joining Booz & Company as a Consultant in Fall 2012.

SUMMER ON THE

When you begin your search for the perfect career, a number of questions should come to mind. What region do I want to work in? What industry would I like to start my career in? Which companies are best positioned in this industry? Where will I make the most money? Where is the best fit for me? You can try to find the answers to some of these questions by researching your industries of interest, but for most of these questions, especially those regarding fit, the only way to know for sure is to dive right into the job through a summer internship. This is especially true if you are considering a career in sales and trading due to the nature of the role markets, professional play, and the environment they work in.

Since I spent this past summer working as a summer analyst at Citi Global Market Asia, I would like to shed some light on the overall internship experience. I will first give a brief overview of the markets' business, the structure of Citi's internship program in Hong Kong, the day to day responsibilities of a summer analyst, and some key takeaways from the summer.

First, the markets' business is divided by product type, the most basic division is between Equities and FICC (Fixed Income, Currency, and Commodities). Within Citi, there also exists a unique division known as the CAG (Cross Asset Group), which specializes in manufacturing and distributing products that have exposure to all asset classes across both Equities and FICC. Each general product group is divided into specialized products ranging from the most standard securities to the most complex derivative products. Within each product, further divisions are created based on specific roles. Sales professionals manage client relationships, market products, and direct product orders to traders. Traders price the products and trade them in the market. A relatively new role has



recently emerged between the sales and trading functions known as structuring, which designs specialized securities tailored to suit specific clients' needs. Every single day, these roles are constantly working together to drive a continuous flow of business through the trading floor, making the Global Markets one of the most fast paced and interactive divisions within a bank.

Citi's Global Markets internship experience itself is unique to most banks. This is primarily because the program offers a great level of flexibility for its interns. During the ten week internship, every summer analyst and associate are placed on one desk for six weeks. In the remaining four weeks, they are allowed to explore different desks for weekly intervals. Each desk focuses on a specific product and function, e.g. the Exotic Equity Derivatives trading desk specializes on trading complex equity derivatives that are created by the CAQ structuring desk (or dedicated equity derivatives structuring desk).

The role of a summer analyst is essentially the same as an associate; you have to assist the desk with its day to day activities as well as special projects. The range of projects varies from desk to desks and also depends on your background in finance. You don't necessarily need to have a prior experience in or knowledge of finance, but I recommend gaining a practical understanding of the types of financial products currently on the market to give yourself a better idea of what desk for which you would be better suit. Studying up on these products can also help you start assisting the desk faster. A project could consist of summarizing news and research reports or building a pricing model or other analytical tools on excel. Generally, the more technical skills and financial knowledge you have, the more potential you have to add value and the more interesting projects you'll be given. I had the op-

TRADING FLOOR

A Window into the Citi Global Markets Asia's Summer Analyst Experience

BY WILL LEUNG

portunity to work on the Cash Equity Trading and Sales Trading desks, Exotic Equity Derivatives Trading, Interest Rate Derivatives Trading, and G-10 Rates Sales, all the while working on a project for Citi's Chief Asia Economist. The level of exposure to different products as well as senior level managers is truly a rare experience that few other places can offer and separates Citi's Global Markets internship program from others in Hong Kong.

The summer internship is an experience that can potentially determine your future career for at least the next few years, so it is very important to not only work as hard as you can to show significant contributions to your specific desk, but also to learn as much about the available desks in order to get a better sense of what products you have interest in. I also highly recommend getting to know as

many people as possible on the trading floor to figure out where you best fit in. Unlike many other work environments Penn students often find themselves in, there are no cubicles on a trading floor, so you'll be working side by side and interacting with the coworkers on a daily basis. There's just no place to hide if you don't like the people you work with. As someone who has been fortunate enough to turn a rewarding summer internship into a future career, I only hope that future prospective job seekers can have the fortune of discovering a career path that suits them. Best of luck with recruiting!

Will Leung will be joining Citi Global Markets Asia in Hong Kong as a member of its Analyst Class of 2012.



Will Leung, president of WAX (2010-2011), representing Citi as one of its summer interns at Citi's Global Markets Asia-Pacific event at the University of Pennsylvania.

Citi Hong Kong's summer intern class of 2011.



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