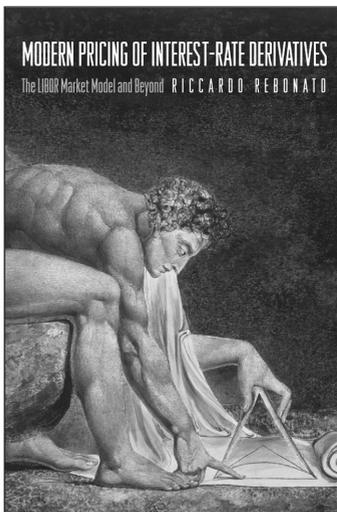


New from Princeton



Modern Pricing of Interest-Rate Derivatives

The LIBOR Market Model and Beyond
Riccardo Rebonato

In recent years, interest-rate modeling has developed rapidly in terms of both practice and theory. In this book, Riccardo Rebonato draws on his academic and professional experience to bring together and build on what theory and trading have to offer.

"The book's many insights into the dynamics of fixed income markets and models should provide industry professionals with valuable tools and offer academics a rare glimpse of the market as viewed by a practitioner-theorist, all presented in the author's elegant and lively style."

—Paul Glasserman, Columbia University
Cloth \$80.00 ISBN 0-691-08973-6 Due November

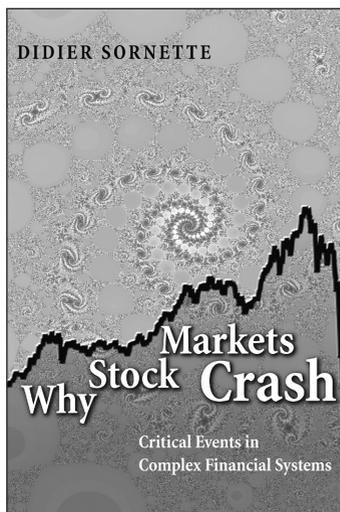
Why Stock Markets Crash

Critical Events in Complex Financial Systems

Didier Sornette

The scientific study of complex systems has transformed a wide range of disciplines in recent years, enabling researchers in both the natural and social sciences to model and predict phenomena as diverse as earthquakes, global warming, demographic patterns, financial crises, and the failure of materials. In this book, Didier Sornette boldly applies his varied experience in these areas to propose a simple, powerful, and general theory of how, why, and when stock markets crash.

Cloth \$29.95 ISBN 0-691-09630-9 Due January



 **Princeton University Press**

800-777-4726 • WWW.PUP.PRINCETON.EDU

Superior Research Requires Quality Data CRSP

CRSP Products

- ◆ CRSP US Stock Databases
- ◆ CRSP/COMPUSTAT Merged Database
- ◆ CRSP US Indices Database
- ◆ CRSP US Treasury Databases
- ◆ CRSP Survivor-Bias Free US Mutual Fund Database
- ◆ CRSP Cap-Based Reports
- ◆ Proxy Graphs for 10K SEC Filing
- ◆ Custom Datasets

The Center for Research in Security Prices (CRSP) is a financial research center that creates and maintains premier historical US databases of stocks (Nasdaq, AMEX, NYSE), indices, bonds, and mutual funds. Unparalleled accuracy has made CRSP data files a staple of academic and commercial research for over 35 years. Data is delivered on CD-ROM with utility software and sample FORTRAN and C programs to access the data. Data can also be read directly by SAS.

CRSP. Clean, quality data for excellence in research.

CRSP Center for Research
in Security Prices

725 South Wells, Suite 800
Chicago, Illinois 60607
Telephone 773.702.7467
Fax 773.702.3036
www.crsp.uchicago.edu

CHICAGO  **CSB**

A research center of
The University of Chicago
Graduate School of Business

JFQA Style Requirements

Electronic submissions in PDF files are welcome or laser-quality manuscripts may be submitted in quadruplicate on 8.5" x 11" paper. The cover page must show title, author name(s) and affiliation(s), e-mail address(es), and work phone number(s). The first page of text should include the title and a one-paragraph abstract of no more than 100 words. Manuscripts must be double-spaced on one side of the page. All sections of the paper, beginning with the introduction and ending with a conclusion or summary, must be numbered with Roman numerals. Subsection headings must be lettered A, B, C, etc.

The manuscript should explain its relation to other research in the field, especially recently published material. References cited in the text should be noted by the last name(s) of the author(s) followed by the publication year enclosed in parentheses without punctuation: Smith (1988). When a particular page, section, or equation is referred to, the reference also should be placed within parentheses: (Smith and Jones (1988), p. 222), (Green (1988a), eq. 3).

Lengthy mathematical proofs and extensive tables should be placed in an appendix or omitted from the manuscript entirely. In the latter case, the author may indicate in a footnote that proofs or tables are available on request. The author should make every effort to explain the meaning of mathematical proofs.

The author should check the manuscript for clarity, grammar, spelling, and punctuation to minimize editorial changes and the necessity of extensive corrections at the proof stage. All abbreviations must be defined.

Equations. All but very short mathematical expressions should be displayed on a separate line and centered. Important displayed equations must be identified by consecutive Arabic numerals in parentheses on the left. Expressions should be aligned and subscripts and superscripts clearly marked to avoid confusion.

Tables. Each table must be titled and numbered consecutively with Arabic numerals. Please check the text to make sure there is a reference to each table. General footnotes should be marked a, b, c, etc., for specific footnotes. Asterisks * or ** indicate significance at the 5% and 1% levels, respectively. The author should check tables to be sure that totals are correct and that the title, column headings, and footnotes clearly explain the content of the table. If tables are on separate pages at the end of the article, indicate approximate placement within the text.

Figures. Figures must be titled and numbered consecutively with Arabic numerals. Captions should present sufficient information to describe the purpose of the figure. Figures for accepted manuscripts must be of professional quality and ready for reproduction.

Footnotes. Footnotes must be double-spaced. Footnotes must not be used for the purpose of citation. Footnotes with extensive content should be avoided.

References. All works cited in the text must be alphabetically arranged in a double-spaced list at the end of the manuscript. Examples:

Brown, S., and J. Warner. "Using Daily Stock Returns: The Case of Event Studies." *Journal of Financial Economics*, 14 (1985), 1–31.

Ross, S. A. "Return Risk and Arbitrage." In *Risk and Return in Finance*, Vol. I, I. Friend and J. L. Bicksler, eds. Cambridge, MA: Ballinger (1977).

new from
the mit press

Applied Computational Economics and Finance

Mario J. Miranda and Paul L. Fackler

“One of this book’s many strengths is its structure, the way theory-based chapters alternate with analytical ones. This will make it an invaluable resource in the classroom.”

— Thomas J. Sargent, Stanford University

“This book ties together numerical methods with state of the art mathematical tools in a user-friendly way. It should be part of the program in ‘math camps’ for incoming graduate students in Economics and Finance. The Matlab programs are a very useful resource for anyone doing applied research.”

— Paul D. McNelis, Georgetown University

512 pp., 105 illus., 59 color \$70

To order call 800-405-1619.
Prices subject to change without notice.

<http://mitpress.mit.edu>

STATEMENT OF OWNERSHIP, MANAGEMENT, AND CIRCULATION

The Journal of Financial and Quantitative Analysis (ISSN 0022-1090) is published quarterly (4 issues per year) by University of Washington School of Business Administration, a nonprofit organization located at 115 Lewis, Seattle, WA 98195-3200. The Managing Editors are Jonathan Karpoff and Paul Malatesta, School of Business Administration, University of Washington, 115 Lewis, Box 353200, Seattle, WA 98195-3200. There are no known bondholders, mortgagees, or other security holders owning or holding 1 percent or more of total amount of bonds, mortgages, or other securities. The purpose, function, and nonprofit status of this organization and the exempt status for federal income tax purposes have not changed during the preceding 12 months. The annual subscription price for the Journal of Financial and Quantitative Analysis is \$95/\$100 for institutions and \$50/\$55 for individuals. During the preceding 12 months, the average number of copies printed for each issue was 3,137; the average paid circulation 2,768; the average free distribution 73; the average number of copies distributed 2,841. Corresponding figures for the last issue before filing: total number of copies printed 3,100; total paid circulation 2,816; free copies distributed 74; total distribution 2,890. Average percent paid 97%; actual percent paid 97%.

I certify that the statements made by me above are correct and complete.

Ms. Marty Auvil
Editor, Journal of Financial and Quantitative Analysis

(This statement is for 2002.)

JFQA Journal of Financial and Quantitative Analysis

2002 Subscription Information

The Journal of Financial and Quantitative Analysis (JFQA) is published quarterly in March, June, September, and December by the School of Business Administration at the University of Washington in Seattle, Washington, U.S.A. Topics include corporate finance, investments, capital and security markets, and quantitative methods of particular relevance to financial researchers. With a circulation of 3200 libraries, firms, and individuals in 70 nations, the JFQA serves an international community of sophisticated finance scholars—academics and practitioners alike. The JFQA prints 10 to 12% of the more than 400 unsolicited manuscripts submitted annually. An intensive blind review process and exacting editorial standards contribute to the JFQA's reputation as a top finance journal.

Payment in advance is required. Checks or money orders must be payable to the JFQA in U.S. dollars for deposit in a U.S. bank. Subscriptions start with the next available issue unless otherwise requested. Upon request, electronic subscriptions are available in PDF files. Claims for missing issues must be made within six months of the publication date.

To inquire about permission to reprint or the availability of specific back issues (at a cost of \$20 per copy), contact the JFQA office.

	U.S.	International	Amount
Library or Firm	\$95	\$100	_____
Individual	\$50	\$55	_____
Student (with verification)	\$25	\$30	_____
	International Airmail	\$30	_____
	Total Amount Paid		_____

Please start subscription with the March June Sept Dec issue.

Name _____

Company _____

Address _____

City _____ State _____ ZIP _____

Country _____ E-mail _____

Phone _____ Fax _____

Payment made by: Check VISA MasterCard American Express

Account No. _____ Exp. Date _____

Cardholder's Name _____

Signature _____ Date _____

Journal of Financial and Quantitative Analysis
University of Washington
School of Business Administration
115 Lewis
Box 353200
Seattle, WA 98195-3200 U.S.A.

Phone: (206) 543-4598

Fax: (206) 616-1894

Federal Identification No.: 91-6001537

ISSN: 0022-1090

Office Use Only	
Chk #	_____
CT	_____
Iss	_____

E-mail: jfqa@jfqa.org
URL: <http://www.jfqa.org>

Forthcoming Articles

Do Takeover Targets Under-Perform? Evidence from Operating and Stock Returns

Anup Agrawal and Jeffrey F. Jaffe

The Value of Trading Consolidation: Evidence from the Exercise of Warrants

Yakov Amihud, Beni Lauterbach, and Haim Mendelson

Hedge Fund Performance 1990–2000: Do the Money Machines Really Add Value?

Gaurav S. Amin and Harry M. Kat

Trade Execution Costs and Market Quality after Decimalization

Hendrik Bessembinder

Cross-Hedging with Currency Options and Futures

Eric C. Chang and Kit Pong Wong

The Valuation of Default-Triggered Credit Derivatives

Ren-Raw Chen and Ben J. Sopranzetti

Agency Costs of Controlling Minority Shareholders

Henrik Cronqvist and Mattias Nilsson

The Performance of Multi-Factor Term Structure Models for Pricing and Hedging Caps and Swaptions

Joost Driessen, Pieter Klaassen, and Bertrand Melenberg

Is There Really a When-Issued Premium?

John R. Ezzell, James A. Miles, and J. Harold Mulherin

Market Structure and Trader Anonymity: An Analysis of Insider Trading

Jon A. Garfinkel and M. Nimalendran

The Impact of Minimum Trading Units on Stock Value and Price Volatility

Shmuel Hauser and Beni Lauterbach

Errors in Implied Volatility Estimation

Ludger Hentschel

Pricing Treasury Inflation Protected Securities and Related Derivatives using an HJM Model

Robert Jarrow and Yildiray Yildirim

Financial Advisors and Shareholder Wealth Gains in Corporate Takeovers

Jayant R. Kale, Omesh Kini, and Harley E. Ryan, Jr.

A Multifactor Explanation of Post-Earnings Announcement Drift

Dongcheol Kim and Myung-Sun Kim

Interaction of the Debt Agency Problems and Optimal Capital Structure: Theory and Evidence

Connie X. Mao

Do Persistent Large Cash Reserves Hinder Performance?

Wayne H. Mikkelson and M. Megan Partch

(continued on next page)

Pricing Bounds on Asian Options

J. Aase Nielsen and Klaus Sandmann

Reputation and the Market for Distressed-Firm Debt

Thomas H. Noe and Michael J. Rebello

Do Momentum Based Strategies Still Work in Foreign Currency Markets?

John Okunev and Derek White

A Multi-Factor Spot Rate Model for the Pricing of Interest Rate Derivatives

Sandra Peterson, Richard C. Stapleton, and Marti G. Subrahmanyam

On Inferring the Direction of Option Trades

Robert Savickas and Arthur J. Wilson

Risk Premia and the Dynamic Covariance between Stock and Bond Returns

John T. Scruggs and Paskalis Glabadanidis

On the Impossibility of Weak-Form Efficient Markets

Steve L. Slezak

Does Coordinated Institutional Investor Activism Reverse the Fortunes of Under-Performing Firms?

Wei-Ling Song, Samuel H. Szewczyk, and Assem Safieddine

The Clustering of IPO Gross Spreads: International Evidence

Sami Torstila

MANAGING EDITORS

Stephen Brown
Jonathan Karpoff
Paul Malatesta

ASSOCIATE EDITORS

Geert Bekaert
Hendrik Bessembinder
Zhiwu Chen
Jeffrey Coles
Jennifer Conrad
Larry Dann
Philip Dybvig
Wayne Ferson
Michael Fishman
Mark Grinblatt
Avraham Kamara
Robert Korajczyk
Josef Lakonishok
Francis Longstaff
Ananth Madhavan
Ronald Masulis
John McConnell
Robert McDonald
Wayne Mikkelson
Vasantilak Naik
Maureen O'Hara
Neil Pearson
Jeffrey Pontiff
Matthew Richardson
Jay Ritter
Eduardo Schwartz
Chester Spatt
Hans Stoll
Ralph Walkling
Ivo Welch
David Yermack
Guofu Zhou

EDITOR

Martha Auvil

End of Year Report from the Managing Editors

The Determinants of the Flow of Funds of Managed Portfolios: Mutual Funds vs. Pension Funds
Diane Del Guercio and Paula A. Tkac

Returns-Chasing Behavior, Mutual Funds, and Beta's Death
Jason Karceski

Partial Adjustment to Public Information and IPO Underpricing
Daniel J. Bradley and Bradford D. Jordan

Does Market Structure Affect the Immediacy of Stock Price Responses to News?
Ronald W. Masulis and Lakshmanan Shivakumar

Option Pricing in a Multi-Asset, Complete Market Economy
Ren-Raw Chen, San-Lin Chung, and Tyler T. Yang

Pricing American Options on Foreign Assets in a Stochastic Interest Rate Economy
San-Lin Chung

An Empirical Examination of Call Option Values Implicit in U.S. Corporate Bonds
Tao-Hsien Dolly King