JOURNAL OF FINANCIAL AND QUANTITATIVE ANALYSIS



VOL. 49, NO. 3 JUNE 2014

MANAGING EDITORS Hendrik Bessembinder Stephen Brown Jarrad Harford Paul Malatesta

ADVISORY EDITOR Mark Grinblatt

ASSOCIATE EDITORS Warren Bailey Gurdip Bakshi Turan Bali Murillo Campello Mikhail Chernov Jeffrey Coles Jennifer Conrad Alex Edmans Wayne Ferson Jonathan Karpoff Francis Longstaff **Ronald Masulis** John McConnell Robert McDonald Darius Palia Neil Pearson George Pennacchi **Jeffrey Pontiff** Jay Ritter Bryan Routledge Sergei Sarkissian Paul Schultz **Chester Spatt** Kumar Venkataraman Ralph Walkling Yuhai Xuan **David Yermack** Lu Zhang Guofu Zhou

2013 Sharpe Award Winners

Contingent Capital: The Case of COERCs George Pennacchi, Theo Vermaelen, and Christian C. P. Wolff

Spillover Effects among Financial Institutions: A State-Dependent Sensitivity Value-at-Risk Approach Zeno Adams, Roland Füss, and Reint Gropp

Asset Specificity, Industry-Driven Recovery Risk, and Loan Pricing Christopher James and Atay Kizilaslan

Stock Return Predictability and Variance Risk Premia: Statistical Inference and International Evidence Tim Bollerslev, James Marrone, Lai Xu, and Hao Zhou

The Economic Value of Realized Volatility: Using High-Frequency Returns for Option Valuation Peter Christoffersen, Bruno Feunou, Kris Jacobs, and Nour Meddahi

The Stock-Bond Return Relation, the Term Structure's Slope, and Asset-Class Risk Dynamics Naresh Bansal, Robert A. Connolly, and Chris Stivers

Trading in the Options Market around Financial Analysts' Consensus Revisions Darren K. Hayunga and Peter P. Lung

The Role of Growth Options in Explaining Stock Returns Lenos Trigeorgis and Neophytos Lambertides

The Strategic Listing Decisions of Hedge Funds Philippe Jorion and Christopher Schwarz

Recovering Delisting Returns of Hedge Funds James E. Hodder, Jens Carsten Jackwerth, and Olga Kolokolova

> PUBLISHED BY CAMBRIDGE UNIVERSITY PRESS FOR THE UNIVERSITY OF WASHINGTON MICHAEL G. FOSTER SCHOOL OF BUSINESS IN COOPERATION WITH THE UNIVERSITY OF UTAH DAVID ECCLES SCHOOL OF BUSINESS AND THE NEW YORK UNIVERSITY LEONARD N. STERN SCHOOL OF BUSINESS

https://doi.org/10.1017/S0022109014000647 Published online by Cambridge University Press



JOURNAL OF FINANCIAL AND QUANTITATIVE ANALYSIS

A PUBLICATION OF THE UNIVERSITY OF WASHINGTON MICHAEL G. FOSTER SCHOOL OF BUSINESS IN COOPERATION WITH THE UNIVERSITY OF UTAH DAVID ECCLES SCHOOL OF BUSINESS AND NEW YORK UNIVERSITY LEONARD N. STERN SCHOOL OF BUSINESS

VOL. 49, NO. 3, JUNE 2014

2013 Sharpe Award Winners	
Contingent Capital: The Case of COERCs	541
Spillover Effects among Financial Institutions: A State-Dependent Sensitivity Value-at-Risk Approach Zeno Adams, Roland Füss, and Reint Gropp	575
Asset Specificity, Industry-Driven Recovery Risk, and Loan Pricing Christopher James and Atay Kizilaslan	599
Stock Return Predictability and Variance Risk Premia: Statistical Inference and International Evidence Tim Bollerslev, James Marrone, Lai Xu, and Hao Zhou	633
The Economic Value of Realized Volatility: Using High-Frequency Returns for Option Valuation Peter Christoffersen, Bruno Feunou, Kris Jacobs, and Nour Meddahi	663
The Stock-Bond Return Relation, the Term Structure's Slope, and Asset-Class Risk Dynamics Naresh Bansal, Robert A. Connolly, and Chris Stivers	699
Trading in the Options Market around Financial Analysts'Consensus RevisionsDarren K. Hayunga and Peter P. Lung	725
The Role of Growth Options in Explaining Stock Returns Lenos Trigeorgis and Neophytos Lambertides	749
The Strategic Listing Decisions of Hedge Funds Philippe Jorion and Christopher Schwarz	773
Recovering Delisting Returns of Hedge Funds James E. Hodder, Jens Carsten Jackwerth, and Olga Kolokolova	797

https://doi.org/10.1017/S0022109014000647 Published online by Cambridge University Press

MANAGING EDITORS

Hendrik Bessembinder University of Utah Stephen Brown New York University Jarrad Harford Paul Malatesta University of Washington

ADVISORY EDITOR

Mark Grinblatt University of California, Los Angeles

ASSOCIATE EDITORS

Warren Bailey Cornell University

Gurdip Bakshi University of Maryland

Turan Bali Georgetown University

Murillo Campello Cornell University

Mikhail Chernov University of California, Los Angeles

Jeffrey Coles Arizona State University

Jennifer Conrad University of North Carolina

Alex Edmans University of Pennsylvania

Wayne Ferson University of Southern California

Jonathan Karpoff University of Washington

Francis Longstaff University of California, Los Angeles

Ronald Masulis University of New South Wales

John McConnell Purdue University

Robert McDonald Northwestern University

Darius Palia Rutgers University

Neil Pearson University of Illinois, Urbana-Champaign George Pennacchi University of Illinois, Urbana-Champaign

Jeffrey Pontiff Boston College

Jay Ritter University of Florida

Bryan Routledge Carnegie Mellon University

Sergei Sarkissian McGill University

Paul Schultz University of Notre Dame

Chester Spatt Carnegie-Mellon University

Kumar Venkataraman Southern Methodist University

Ralph Walkling Drexel University

Yuhai Xuan Harvard University

David Yermack New York University

Lu Zhang Ohio State University

Guofu Zhou Washington University in St. Louis

STAFF Business Manager, Susan Huot Editorial Assistants Jonna Kincaid and Sandra Leonard

The Journal of Financial and Quantitative Analysis (ISSN 0022-1090), Michael G. Foster School of Business, University of Washington, 370 Mackenzie Hall, UW Box 353200, Seattle, WA 98195-3200, is published bimonthly in February, April, June, August, October, and December by Cambridge University Press, 32 Avenue of the Americas, New York, NY 10013-2473/Cambridge University Press, the Edinburgh Building, Shaftesburg Road, Cambridge CB2 8RU, UK for the University of Washington Michael G. Foster School of Business in cooperation with the David Eccles School of Business at the University of Utah and the Leonard N. Stern School of Business at New York University. Periodicals Postage Paid at New York, NY and additional mailing offices. POSTMASTER: Send address changes to Journal of Financial and Quantitative Analysis, Cambridge University Press, 100 Brook Hill Dr, West Nyack, NY 10994-2133, USA.

Copyright 2014, Michael G. Foster School of Business, University of Washington



JOURNAL OF FINANCIAL AND QUANTITATIVE ANALYSIS

PHONE: (206)543-4598 FAX: (206)616-1894 E-MAIL: jfqa@uw.edu URL: http://www.jfqa.org University of Washington Michael G. Foster School of Business 370 Mackenzie Hall UW Box 353200 Seattle, WA 98195-3200 USA

VOL. 49, NO. 3, JUNE 2014

PURPOSE AND FOCUS

The Journal of Financial and Quantitative Analysis (JFQA) publishes theoretical and empirical research in financial economics. Topics include corporate finance, investments, capital and security markets, and quantitative methods of particular relevance to financial researchers. Opinions expressed in the JFQA are those of the authors and do not necessarily reflect those of the University of Washington Foster School of Business. For submissions queries, please write, call, fax, or e-mail the JFQA office. For all other information related to the journal, please contact Cambridge Journals Customer Services: Cambridge University Press, 100 Brook Hill Drive, West Nyack, NY 10994-2133, USA. http://journals.cambridge.org/jfqa

SUBMISSIONS

It is JFQA policy to give prompt attention to all submitted manuscripts. Consistent with this policy, honoraria are paid to referees who provide timely reviews. Submit manuscripts online (www.editorialmanager .com/jfqa). Payment is required at the time of submission. VISA, MasterCard, and American Express are accepted. Please consult the journal Web site for current submission details. Manuscripts are considered for publication on the understanding that they have not been previously published in whole or in part, and are not being simultaneously considered for publication elsewhere.

SUBSCRIPTIONS

http://journals.cambridge.org/jfqa

www.editorialmanager.com/jfga

For individuals or institutions interested in a single journal subscription in 2014, please contact Cambridge Journals Customer Services. In the U.S., Canada, or Mexico, subscription fees are payable in U.S. dollars: journals_subscriptions@cambridge.org. Elsewhere in the world, subscription fees are payable in U.K. pounds sterling: journals@cambridge.org

2014 Annual Subscription Fees

Volume 49: February, April, June, August, October, and December

RIGHTS AND PERMISSIONS

All rights reserved. No part of this publication may be reproduced, in any form or by any means, electronic, photocopying, or otherwise, without permission in writing from Cambridge University Press. General enquiries from the USA, Mexico, and Canada should be addressed to the New York office of Cambridge University Press thtp://www.cambridge.org/us/information/rights/contacts/newyork.htm; general enquiries from elsewhere should be addressed to the Cambridge office http://www.cambridge.org/uk/information/rights/contacts/newyork.htm; enquiries regarding Spanish-ingue thttp://www.cambridge.org/aus/information/rights/contacts/newyork.htm; enquiries regarding Spanish-ingue translation rights (only) should be addressed to the Madrid office http://www.cambridge.org/uk/information/rights/contacts/newyork.htm; enquiries regarding Spanish-ingues translation rights (only) should be addressed to the Madrid office http://www.cambridge.org/uk/information/rights/contacts/newyork.htm; enquiries regarding Spanish-ingues translation rights (only) should be addressed to the Madrid office http://www.cambridge.org/uk/information/rights/contacts/madrid.htm. Photocopying Information (for users in the USA): Copying for internal or personal use beyond that permitted by Sec. 107 or 108 of the U.S. Copyright Law is authorized for users duly registered with the Copyright Clearance Center (CCC), provided that the appropriate remittance is paid directly to: CCC, 222 Rosewood Drive, Danvers, MA 01923 USA. Specific written permission must be obtained for all other copying; contact the nearest Cambridge University Press office.

Announcing the Winners of the JFQA 2013 William F. Sharpe Best Paper Award

The William F. Sharpe Award for Scholarship in Financial Research recognizes researchers who, through their articles published in the JFQA, have most contributed to our understanding of important areas of financial economics. Nominees for the Sharpe Award are chosen by a vote of JFQA readers and Associate Editors; the winners, who receive a \$5,000 cash prize, are selected by the Associate Editors.

The winners of the Sharpe Award for JFQA papers published in 2013 are

Xiaohui Gao, University of Maryland Jay R. Ritter, University of Florida Zhongyan Zhu, Chinese University of Hong Kong "Where Have All the IPOs Gone?" December 2013, Vol. 48, No. 6, pp. 1663–1692

Please join us in congratulating Professors Gao, Ritter, and Zhu for their accomplishments.

Hendrik Bessembinder Stephen Brown Jarrad Harford Paul Malatesta JFQA Managing Editors