JOURNAL OF FINANCIAL AND QUANTITATIVE ANALYSIS



VOL. 44, NO. 3 JUNE 2009

MANAGING EDITORS Hendrik Bessembinder Stephen Brown Paul Malatesta

ADVISORY EDITOR Mark Grinblatt

ASSOCIATE EDITORS Andrew Ana Warren Bailey Gurdip Bakshi Mikhail Chernov Jeffrev Coles Pierre Collin-Dufresne Jennifer Conrad Wayne Ferson Jarrad Harford Jonathan Karpoff Michael Lemmon Francis Longstaff **Ronald Masulis** John McConnell Robert McDonald Wayne Mikkelson Neil Pearson George Pennacchi Jeffrey Pontiff Jav Ritter **Michael Roberts** Bryan Routledge Sergei Sarkissian Paul Schultz **Chester Spatt** Hans Stoll Pietro Veronesi Ralph Walkling Ivo Welch David Yermack Guofu Zhou

2008 Sharpe Award Winners

Institutional versus Individual Investment in IPOs: The Importance of Firm Fundamentals Laura Casares Field and Michelle Lowry

A Joint Framework for Consistently Pricing Interest Rates and Interest Rate Derivatives Massoud Heidari and Liuren Wu

Capital Market Imperfections and the Sensitivity of Investment to Stock Prices Alexei V. Ovtchinnikov and John J. McConnell

Managers' and Investors' Responses to Media Exposure of Board Ineffectiveness Jennifer R. Joe, Henock Louis, and Dahlia Robinson

Dynamic Style Preferences of Individual Investors and Stock Returns Alok Kumar

Testing the Elasticity of Corporate Yield Spreads Gady Jacoby, Rose C. Liao, and Jonathan A. Batten

The Role of the Media in the Internet IPO Bubble Utpal Bhattacharya, Neal Galpin, Rina Ray, and Xiaoyun Yu

Sudden Deaths: Taking Stock of Geographic Ties Mara Faccio and David C. Parsley

Probability Judgment Error and Speculation in Laboratory Asset Market Bubbles

Lucy F. Ackert, Narat Charupat, Richard Deaves, and Brian D. Kluger

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



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. 44, NO. 3, JUNE 2009

2008 Sharpe	Award	Winners

Institutional versus Individual Investment in IPOs: The Importance of Firm Fundamentals	489
A Joint Framework for Consistently Pricing Interest Rates and Interest Rate Derivatives	517
Capital Market Imperfections and the Sensitivity of Investment to Stock Prices	551
Managers' and Investors' Responses to Media Exposure of Board Ineffectiveness Jennifer R. Joe, Henock Louis, and Dahlia Robinson	579
Dynamic Style Preferences of Individual Investors and Stock Returns Alok Kumar	607
Testing the Elasticity of Corporate Yield Spreads	641
The Role of the Media in the Internet IPO Bubble	657
Sudden Deaths: Taking Stock of Geographic Ties	683
Probability Judgment Error and Speculation in Laboratory Asset Market Bubbles Lucy F. Ackert, Narat Charupat, Richard Deaves, and Brian D. Kluger	719

MANAGING EDITORS

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

ADVISORY EDITOR

Mark Grinblatt University of California, Los Angeles

ASSOCIATE EDITORS

Andrew Ang Columbia University

Warren Bailey Cornell University

Gurdip Bakshi University of Maryland

Mikhail Chernov London Business School

Jeffrey Coles Arizona State University

Pierre Collin-Dufresne Columbia University

Jennifer Conrad University of North Carolina

Wayne Ferson University of Southern California

Jarrad Harford University of Washington

Jonathan Karpoff University of Washington

Michael Lemmon University of Utah

Francis Longstaff University of California, Los Angeles

Ronald Masulis Vanderbilt University

John McConnell Purdue University

Robert McDonald Northwestern University

Wayne Mikkelson University of Oregon Neil Pearson University of Illinois, Urbana-Champaign

George Pennacchi University of Illinois, Urbana-Champaign

Jeffrey Pontiff Boston College

Jay Ritter University of Florida

Michael Roberts University of Pennsylvania

Bryan Routledge Carnegie Mellon University

Sergei Sarkissian McGill University

Paul Schultz University of Notre Dame

Chester Spatt Carnegie-Mellon University

Hans Stoll Vanderbilt University

Pietro Veronesi University of Chicago

Ralph Walkling Drexel University

Ivo Welch Brown University

David Yermack New York University

Guofu Zhou Washington University in St. Louis

STAFF Business Manager, Susan Huot Editorial Assistants Sandra Leonard and Claudia Link

The Journal of Financial and Quantitative Analysis (ISSN 0022-1090), Michael G. Foster School of Business, University of Washington, 115 Lewis, 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 2009, 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 115 Lewis Box 353200 Seattle, WA 98195-3200 USA

VOL. 44, NO. 3, JUNE 2009

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) with a \$220 submission fee for authors with a current individual subscription. Checks must be payable to the JFQA in U.S. dollars for deposit in a U.S. bank. VISA, MasterCard, and American Express are accepted. 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

For individuals or institutions interested in a single journal subscription in 2009, 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

2009 Annual Subscription Fees

Volume 44: February, April, June, August, October, and December

Access Type Online & Print Print only Online only Online & Print Print only Online only	Price £175.00 / \$350.00 £160.00 / \$320.00 £150.00 / \$300.00 £40.00 / \$80.00 £35.00 / \$70.00 £30.00 / \$60.00
Online only	£30.00/\$60.00
	Online & Print Print only Online only Online & Print Print only

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 http://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/uk/information/rights/contacts/newyork.htm; enquiries regarding Spanish-ingue thttp://www.cambridge.org/uk/information/rights/contacts/newyork.htm; enquiries regarding Spanish-language translation rights (only) should be addressed to the Madrid office http://www.cambridge.org/uk/information/rights/contacts/madrid.htm.PhotocopyingInformation(for usersintheU.S.A.):Copyingfor internalor 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 U.S.A. Specific written permission must be obtained for all other copying; contact the nearest Cambridge University Press office.

www.editorialmanager.com/jfqa

http://journals.cambridge.org/jfga

Announcing the Winners of the JFQA 2008 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 winner(s), who receive a \$5,000 cash prize, is (are) selected by the Associate Editors.

The winners of the Sharpe Award for JFQA papers published in 2008 are

Jonathan M. Karpoff, University of Washington D. Scott Lee, Texas A&M University Gerald S. Martin, American University "The Cost to Firms of Cooking the Books" September 2008, Vol. 43, No. 3, pp. 581–612

Please join us in congratulating Professors Karpoff, Lee, and Martin for their accomplishments.

Hendrik Bessembinder Stephen Brown Paul Malatesta JFQA Managing Editors