JOURNAL OF FINANCIAL
AND QUANTITATIVE ANALYSIS

September 1977

EDWIN J. ELTON, MARTIN J. GRUBER, and MANFRED W. PADBERG
Simple Rules for Optimal Portfolio Selection: The Multi Group Case

STEPHEN A. BUSER
Mean-Variance Portfolio Selection with Either a Singular or Non-singular Variance-Covariance Matrix

WILLIAM P. LLOYD and RICHARD A. SHICK
A Test of Stone’s Two-Index Model of Returns

H. KENT BAKER, MICHAEL B. HARGROVE, and JOHN A. HASLEM
An Empirical Analysis of the Risk-Return Preferences of Individual Investors

J. L. SHARMA and ROBERT E. KENNEDY
A Comparative Analysis of Stock Price Behavior on the Bombay, London, and New York Stock Exchanges

LOUIS K. W. YING, WILBUR G. LEWELLEN, GARY G. SCHLARBAUM, and RONALD C. LEASE
Stock Exchange Listings and Securities Returns

JOHN S. BILLDERSEE
Price Spreads, Performance, and the Seasoning of New Treasury and Agency Bond Issues

HUI-SHYONG CHANG and CHENG F. LEE
Using Pooled Time-Series and Cross-Section Data to Test the Firm and Time Effects in Financial Analyses

GEORGE S. OLDFIELD and RICHARD J. MESSINA
Forward Exchange Price Determination in Continuous Time

JESS B. YAWITZ
An Analytical Model of Interest Rate Differentials and Different Default Recoveries

ROBERT C. KLEMKOSKY and DONALD L. TUTTLE
A Ranking of Doctoral Programs by Financial Research Contributions of Graduates

JOSEPH K. WINSSEN
A Reformulation of the API Approach to Evaluating Accounting Income Numbers

CLIFF J. HUANG
An Unbiased Estimator of the N-Period Relative

YAKOV AMIHUD
A Note on Risk Aversion and Indifference Curves

MILES LIVINGSTON
Comment:Convertible Debt Financing

CALVIN R. MYERS
Comment: An Economic Model of Trade Credit

Y. AMIHUD and A. BARNEA
A Note on Fisher Hypothesis and Price Level Uncertainty

THE UNIVERSITY OF WASHINGTON GRADUATE SCHOOL OF BUSINESS ADMINISTRATION
AND THE WESTERN FINANCE ASSOCIATION
WESTERN FINANCE ASSOCIATION

1976-77 Executive Committee

A. Blaine Huntsman, President
David H. Pyle, President-Elect--
Program Chairman
Thomas E. Stitzel, Secretary-Treasurer
Charles W. Haley, Editor
John P. Herzog, Past President
Guilford C. Babcock
Michael J. Brennan
Nancy L. Jacob
Brian M. Neuberger
Keith V. Smith

University of Utah
University of California, Berkeley
Boise State University
University of Washington
Simon Fraser University
University of Southern California
University of British Columbia
University of Washington
San Diego State University
University of California, Los Angeles

INSTITUTIONAL MEMBERS

California State College, Bakersfield
Huntsman Chemical and Oil Corporation
Idaho State University
Loyola Marymount University
University of Calgary
Center for Business and Economic Research
School of Business Administration
School of Management
College of Business
College of Business Administration
Faculty of Business

University of California, Berkeley
University of California, Berkeley
University of California, Los Angeles
University of Utah

Copyright 1977 by the Graduate School of Business Administration, University of Washington.

The Journal of Financial and Quantitative Analysis is published by the Graduate School of Business Administration, University of Washington, Seattle, Washington 98195, in conjunction with the Western Finance Association. Regular issues are published in March, June, September, and December, and a Proceedings Issue is published in November. Second-class postage is paid at Seattle, Washington.

The Proceedings Issue contains selected papers, abstracts of papers, discussants' comments, and the proceedings of the Western Finance Association meetings. From time to time a special issue, devoted to one topic of interest to the readership, is published.

The views and opinions expressed are those of the authors and do not necessarily reflect those of the Graduate School of Business Administration of the University of Washington nor of the Western Finance Association.

For individuals, the annual subscription rate to the JFQA is $12.50 (three-year rate, $33); for firms or libraries, the annual rate is $20.00 (three-year rate, $55). Annual subscription rates for individuals and libraries outside the United States (except Canada) are $13.50 for individuals (three-year rate, $36), and $21 for libraries and firms (three-year rate, $58). Single copies are $4.00, except for special issues, the price of which is $4.50. The fiscal year of the Journal of Financial and Quantitative Analysis begins on January 1.

Manuscripts and $10 submission fee (per manuscript) as well as editorial correspondence should be sent to the Managing Editor. Correspondence relating to advertising, subscriptions, and billing should be addressed: Subscription Manager, JFQA, University of Washington, DJ-10, Seattle, Washington 98195.

Correspondence pertaining to the Western Finance Association should be sent to Professor Thomas E. Stitzel, Secretary-Treasurer, School of Business Administration, Boise State University, 1910 University Blvd., Boise, Idaho 83725.
Simple Rules for Optimal Portfolio Selection: The Multi Group Case .......................... 329
   Edwin J. Elton, Martin J. Gruber, and Manfred W. Padberg

Mean-Variance Portfolio Selection with Either a Singular
or Nonsingular Variance-Covariance Matrix ...................... 347
   Stephen A. Buser

A Test of Stone's Two-Index Model of Returns ..................... 363
   William P. Lloyd and Richard A. Shick

An Empirical Analysis of the Risk-Return
Preferences of Individual Investors .............................. 377
   H. Kent Baker, Michael B. Hargrove, and John A. Haslem

A Comparative Analysis of Stock Price Behavior on
the Bombay, London, and New York Stock Exchanges ............ 391
   J. L. Sharma and Robert E. Kennedy

Stock Exchange Listings and Securities Returns .................. 415
   Louis K. W. Ying, Wilbur G. Lewellen,
   Gary G. Schlarbaum, and Ronald C. Lease

Price Spreads, Performance, and the Seasoning
of New Treasury and Agency Bond Issues ...................... 433
   John S. Bildersee

Using Pooled Time-Series and Cross-Section Data to
Test the Firm and Time Effects in Financial Analyses .......... 457
   Hui-shyong Chang and Cheng F. Lee

Forward Exchange Price Determination in Continuous Time .... 473
   George S. Oldfield and Richard J. Messina

An Analytical Model of Interest Rate Differentials
and Different Default Recoveries .............................. 481
   Jess B. Yawitz

A Ranking of Doctoral Programs by Financial
Research Contributions of Graduates .......................... 491
   Robert C. Klemkosky and Donald L. Tuttle

A Reformulation of the API Approach to Evaluating
Accounting Income Numbers .................................. 499
   Joseph K. Winsen

An Unbiased Estimator of the N-Period Relative ................. 505
   Cliff J. Huang

A Note on Risk Aversion and Indifference Curves .............. 509
   Yakov Amihud

Comment: Convertible Debt Financing .......................... 515
   Miles Livingston