# JOURNAL OF FINANCIAL AND QUANTITATIVE ANALYSIS

# January 1974

WILLIAM W. HOGAN and JAMES M. WARREN
Toward the Development of an Equilibrium CapitalMarket Model Based on Semivariance

ANTHONY M. SANTOMERO
The Economic Effects of NASDAQ: Some Preliminary Results

O. MAURICE JOY and R. BURR PORTER Stochastic Dominance and Mutual Fund Performance

EDWARD H. JENNINGS An Estimate of Convertible Bond Premiums

MANAK C. GUPTA

Money Supply and Stock Prices: A Probabilistic Approach

JOHN J. PRINGLE
The Imperfect-Markets Model of Commercial Bank
Financial Management

GARY G. SCHLARBAUM

The Investment Performance of the Common Stock Portfolios
of Property-Liability Insurance Companies

L. J. MERVILLE and L. A. TAVIS A Total Real Asset Planning System

CAROLE A. ALDRICH

A Model for Funding Interrelated Research and
Development Projects under Uncertainty

GORDON PYE A Note on Diversification

### JOURNAL OF FINANCIAL AND QUANTITATIVE ANALYSIS

A JOINT PUBLICATION

OF THE

GRADUATE SCHOOL OF BUSINESS ADMINISTRATION

UNIVERSITY OF WASHINGTON

AND THE

WESTERN FINANCE ASSOCIATION

### EDITORIAL STAFF

Graduate School of Business Administration University of Washington Charles W. Haley, Managing Editor Nancy L. Jacob, Associate Managing Editor Lynn Lewicki, Editorial Associate

### ASSOCIATE EDITORS

Richard H. Bernhard, North Carolina State
Marshall E. Blume, Pennsylvania
Richard S. Bower, Dartmouth
William Breen, Northwestern
Michael J. Brennan, UBC
Myles Delano, Michigan State
Thomas R. Dyckman, Cornell
Peter A. Frost, Washington
Robert C. Goshay, UC, Berkeley
Nils H. Hakansson, UC, Berkeley
Robert S. Hamada, Chicago
Warren H. Hausman, Rochester

Frank C. Jen, SUNY, Buffalo

George Kaufman, Oregon
Alan Kraus, UBC
Henry A. Latané, North Carolina
John G. McDonald, Stanford
Jacob B. Michaelsen, UC, Santa Cruz
Stewart C. Myers, MIT
Alfred N. Page, Washington
Roger B. Upson, Minnesota
James Van Horne, Stanford
George von Furstenberg, Indiana
Paul Wells, Illinois
Richard R. West, Oregon
Robert L. Winkler, Indiana

### WESTERN FINANCE ASSOCIATION

### Executive Committee

David Eiteman, President James Wert, Vice President Thomas E. Stitzel, Secretary-Treasurer Charles W. Haley, Editor Scott Bauman Richard V. Cotter John Herzog Vergil Miller David H. Pvle

University of California, Los Angeles University of Arizona Oregon State University University of Washington University of Virginia University of Nevada Simon Fraser University Sacramento State University of California, Berkeley

### INSTITUTIONAL MEMBERS

California State University, Fullerton California State University, Sacramento California State University, San Francisco U. S. International University California State University, Chico Eastern Washington State College Loyola University of Los Angeles Menlo School and College

Pepperdine University Southern California Edison Company University of Calgary University of Southern California Woodbury College University of California, Los Angeles

Alaska Interstate Company

Copyright 1974 by the Graduate School of Business Administration, University of Washington.

The Journal of Financial and Quantitative Analysis is published in January, March, June, September, and December by the Graduate School of Business Administration, University of Washington, Seattle, Washington 98195, in coniunction with the Western Finance Association. Second-class postage paid at Seattle, Washington.

The December issue is a special issue devoted to one topic of interest to the JFOA's readership. The March issue contains selected papers, abstracts of papers, discussants' comments, and the Proceedings of the Western Finance Association meetings.

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 \$10.00 (two-year rate, \$20; three-year rate, \$28); for firms or libraries, the annual rate is \$15.00 (two-year rate, \$30; three-year rate, \$40). Single copies are \$3.00, except the special issues, the price of which is \$3.50. Annual subscription rates for individuals and libraries outside the United States (except Canada) are \$11.00 for individuals (two-year rate, \$22; three-year rate, \$31) and \$16.00 for libraries (two-year rate, \$32; three-year rate, \$43). The fiscal year of the Journal of Financial and Quantitative Analysis begins on January 1.

Manuscripts and editorial correspondence should be sent to the Managing Editor. Advertising inquiries and books for review should be addressed to the Associate Managing Editor. Correspondence dealing with subscriptions and billing should be addressed: Subscription Manager, JFQA, Mackenzie Hall DJ-10, University of Washington, Seattle, Washington 98195.

Correspondence pertaining to the Western Finance Association should be sent to Professor Les B. Strickler, School of Business, Oregon State University, Corvallis, Oregon 97331.

## JOURNAL OF FINANCIAL AND QUANTITATIVE ANALYSIS

Volume	IX,	Number	1,	January	1974	
--------	-----	--------	----	---------	------	--

Toward the Development of an Equilibrium Capital-Market Model Based on Semivariance
The Economic Effects of NASDAQ: Some Preliminary Results
Stochastic Dominance and Mutual Fund Performance
An Estimate of Convertible Bond Premiums .'
Money Supply and Stock Prices: A Probabilistic Approach 57  Manak C. Gupta
The Imperfect-Markets Model of Commercial Bank Financial Management 69  John J. Pringle
The Investment Performance of the Common Stock Portfolios of Property- Liability Insurance Companies
A Total Real Asset Planning System
A Model for Funding Interrelated Research and Development Projects under Uncertainty
COMMUNICATIONS
A Note on Diversification
Announcements