JOURNAL OF FINANCIAL AND QUANTITATIVE ANALYSIS



VOL. 45, NO. 2 APRIL 2010

MANAGING EDITORS Hendrik Bessembinder Stephen Brown Paul Malatesta

ADVISORY EDITOR Mark Grinblatt

ASSOCIATE EDITORS Andrew Ang Warren Bailey Gurdip Bakshi Mikhail Chernov **Jeffrey Coles** Jennifer Conrad Jefferson Duarte 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 **Ralph Walkling** Ivo Welch **David Yermack** Guofu Zhou

Corporate Governance and Liquidity Kee H. Chung, John Elder, and Jang-Chul Kim

Factoring Information into Returns David Easley, Soeren Hvidkjaer, and Maureen O'Hara

Portfolio Optimization with Mental Accounts Sanjiv Das, Harry Markowitz, Jonathan Scheid, and Meir Statman

Deviations from Put-Call Parity and Stock Return Predictability Martijn Cremers and David Weinbaum

Dynamic General Equilibrium and *T*-Period Fund Separation Anke Gerber, Thorsten Hens, and Peter Woehrmann

Informational Efficiency and Liquidity Premium as the Determinants of Capital Structure Chun Chang and Xiaoyun Yu

How Syndicate Short Sales Affect the Informational Efficiency of IPO Prices and Underpricing Björn Bartling and Andreas Park

The Impact of the Euro on Equity Markets Lorenzo Cappiello, Arjan Kadareja, and Simone Manganelli

Forecasting Volatility Using Long Memory and Comovements: An Application to Option Valuation under SFAS 123R George J. Jiang and Yisong S. Tian

Exploitable Predictable Irrationality: The FIFA World Cup Effect on the U.S. Stock Market Guy Kaplanski and Haim Levy

> 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. 45, NO. 2, APRIL 2010

Corporate Governance and Liquidity Kee H. Chung, John Elder, and Jang-Chul Kim	265
Factoring Information into Returns David Easley, Soeren Hvidkjaer, and Maureen O'Hara	293
Portfolio Optimization with Mental Accounts	311
Deviations from Put-Call Parity and Stock Return Predictability	335
Dynamic General Equilibrium and <i>T</i> -Period Fund Separation	369
Informational Efficiency and Liquidity Premium as the Determinants of Capital Structure Chun Chang and Xiaoyun Yu	401
How Syndicate Short Sales Affect the Informational Efficiency of IPO Prices and Underpricing Björn Bartling and Andreas Park	441
The Impact of the Euro on Equity Markets	473
Forecasting Volatility Using Long Memory and Comovements: An Application to Option Valuation under SFAS 123R George J. Jiang and Yisong S. Tian	503
Exploitable Predictable Irrationality: The FIFA World Cup Effect on the U.S. Stock Market	535

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

Jennifer Conrad University of North Carolina

Jefferson Duarte Rice University

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

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 2010, 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: jfga@uw.edu URL: http://www.jfga.org

University of Washington Michael G. Foster School of Business 115 Lewis Box 353200 Seattle, WA 98195-3200 USA

VOL. 45, NO. 2, APRIL 2010

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/ifga) 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 2010, 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

2010 Annual Subscription Fees

Volume 45: February, April, June, August, October, and December

Category Organizational Organizational Individual Individual Individual Student	Access Type Online & Print Print only Online only Online & Print Print only Online only Print only	Price £182.00 / \$364.00 £166.00 / \$333.00 £156.00 / \$312.00 £40.00 / \$80.00 £35.00 / \$70.00 £30.00 / \$60.00 £20.00 / \$40.00
Student	Print only	£20.00/\$40.00

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/ cambridge.htm; permission enquiries from Australia and New Zealand should be addressed to the Melbourne office http://www.cambridge.org/aus/information/contactsmelbourne.htm; enquiries regarding Spanishlanguage translation rights (only) should be addressed to the Madrid office http://www.cambridge.org/uk/ information/rights/contacts/madrid.htm.PhotocopyingInformation(for users in the U.S.A.): 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 U.S.A. Specific written permission must be obtained for all other copying; contact the nearest Cambridge University Press office.

www.editorialmanager.com/jfga

http://journals.cambridge.org/jfga