JOURNAL OF FINANCIAL AND QUANTITATIVE ANALYSIS



VOL. 47, NO. 6 DECEMBER 2012

MANAGING EDITORS
Hendrik Bessembinder
Stephen Brown
Jarrad Harford
Paul Malatesta

ADVISORY EDITOR
Mark Grinblatt

ASSOCIATE EDITORS
Warren Bailey
Gurdip Bakshi
Murillo Campello
Mikhail Chernov
Jeffrey Coles
Jennifer Conrad
Jefferson Duarte
Alex Edmans
Wayne Ferson
Jonathan Karpoff
Michael Lemmon

John McConnell Robert McDonald Darius Palia

Francis Longstaff Ronald Masulis

Neil Pearson George Pennacchi Jeffrey Pontiff

Bryan Routledge Sergei Sarkissian

Paul Schultz Chester Spatt

Jay Ritter

Kumar Venkataraman

Ralph Walkling Yuhai Xuan David Yermack

Lu Zhang Guofu Zhou Aggregate Idiosyncratic Volatility
Geert Bekaert, Robert J. Hodrick, and Xiaoyan Zhang

Corporate Governance, Finance, and the Real Sector Paolo Fulghieri and Matti Suominen

The Principal Principle Sanjiv R. Das

Effects of Bank Regulation and Lender Location on Loan Spreads

Li Hao, Debarshi K. Nandy, and Gordon S. Roberts

Cash Flow and Discount Rate Risk in Up and Down Markets: What Is Actually Priced?

Mahmoud Botshekan, Roman Kraeussl, and Andre Lucas

Information Content of Earnings Announcements: Evidence from After-Hours Trading

Christine X. Jiang, Tanakorn Likitapiwat, and Thomas H. McInish

Modeling the Cross Section of Stock Returns: A Model Pooling Approach

Michael O'Doherty, N. E. Savin, and Ashish Tiwari

Futures Cross-Hedging with a Stationary Basis Stefan Ankirchner, Georgi Dimitroff, Gregor Heyne, and Christian Pigorsch

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. 47, NO. 6, DECEMBER 2012

Aggregate Idiosyncratic Volatility	1155
Corporate Governance, Finance, and the Real Sector	1187
The Principal Principle	1215
Effects of Bank Regulation and Lender Location on Loan Spreads Li Hao, Debarshi K. Nandy, and Gordon S. Roberts	1247
Cash Flow and Discount Rate Risk in Up and Down Markets: What Is Actually Priced? Mahmoud Botshekan, Roman Kraeussl, and Andre Lucas	1279
Information Content of Earnings Announcements: Evidence from After-Hours Trading	1303
Modeling the Cross Section of Stock Returns: A Model Pooling Approach Michael O'Doherty, N. E. Savin, and Ashish Tiwari	1331
Futures Cross-Hedging with a Stationary Basis	1361

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

Murillo Campello Cornell University

Mikhail Chernov

London School of Economics

Jeffrey Coles

Arizona State University

Jennifer Conrad

University of North Carolina

Jefferson Duarte Rice University Alex Edmans

University of Pennsylvania

Wayne Ferson

University of Southern California

Jonathan Karpoff University of Washington

Michael Lemmon University of Utah

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

Sandra Leonard and Claudia Link

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.



JOURNAL OF FINANCIAL AND QUANTITATIVE ANALYSIS

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

VOL. 47, NO. 6, DECEMBER 2012

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

www.editorialmanager.com/jfqa

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 \$250 submission fee and confirmation of 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

http://journals.cambridge.org/jfqa

For individuals or institutions interested in a single journal subscription in 2013, 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

2013 Annual Subscription Fees

Volume 48: February, April, June, August, October, and December

Category Organizational Organizational	Access Type Online & Print Print only	Price \$520/£280 \$520/£280
Organizational	Online only	\$395/£215
Individual	Online & Print	\$100/£55
Individual	Print only	\$85/£45
Individual	Online only	\$70/£40
Student	Print only	\$25/£17

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 Spanish-language 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 copyring; contact the nearest Cambridge University Press office.

VOTE FOR THE SHARPE BEST PAPER AWARD!

The William F. Sharpe Award for Scholarship in Financial Research recognizes researchers who, through their articles published in the Journal of Financial and Quantitative Analysis, have most contributed to our understanding of important areas of financial economics. The Sharpe Award nominees are chosen by a vote of JFQA readers and Associate Editors from the papers published in 2012. Winners are selected by the Associate Editors. Access the official ballot at

http://www.jfqa.org

Deadline: April 30, 2013