



CONTENTS

*Research Workshops:*  
A list of workshops  
conducted during  
2010-2011.

6

*Current Activities of  
Center Faculty:* A  
listing of research  
endeavors by  
the faculty.

7

*Faculty Research  
Papers:* Current  
working papers since  
January  
2010.

11

FINANCIAL MARKETS RESEARCH CENTER • 2011

Conference on

*Implementing Regulatory Change  
in the Financial Markets*

Passage of the massive Dodd-Frank act poses new issues for regulators as they implement the regulatory changes called for in the act. Implementation is difficult because the provisions of the act leave



*Ed DeMarco discussing Fannie Mae, Freddie Mac and the future of housing finance.*

considerable leeway for discretion. As a consequence, there is likely to be regulatory overlap, jurisdictional disputes, counterproductive regulations, and costly rules. One hopes that increased transparency, greater competition, and improved incentives will on net improve the financial system. The 24th annual conference sponsored by the Financial Markets Research Center, held at Vanderbilt University on May 5 – 6, 2011, dealt with these and related issues.

Dean **Jim Bradford** welcomed conference participants and noted that the Center was entering its 25<sup>th</sup> year with an unbroken string of 24 conferences on topics relevant to the times. **Hans Stoll**, Director of the FMRC and organizer of the conferences, described the program and introduced the keynote speaker, **Edward DeMarco**,

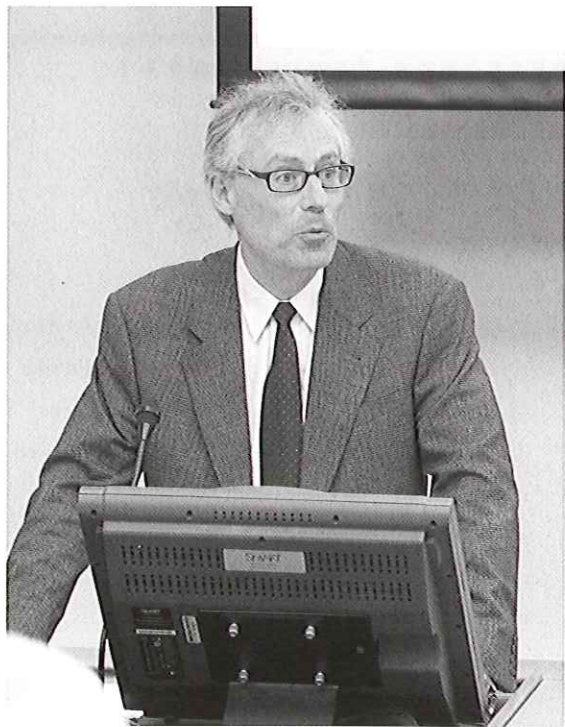
Acting Director of the Federal Housing Finance Agency (FHFA). The FHFA regulates Fannie Mae and Freddie Mac, both of which are in conservatorship under the direction of the FHFA and both of which have received massive bailout payments. Given the fact that both agencies will be downsized in some fashion, the question of how housing will be financed in the U.S. becomes an issue.

The first panel of the day, chaired by **Brett Sweet**, Vanderbilt's Vice Chancellor of Finance, dealt with regulation of risky banks. **Mark Flannery**, Professor at the University of Florida, discussed the importance of adequate bank capital and criticized the failure of banks to measure capital in market value terms. **Wilson Ervin**, Managing Director at Credit Suisse, proposed a method he called "bail in" rather than "bail out" to deal with banks that are about to fail. The procedure restarts banks more quickly with all claimants bearing the cost of failure and without a government bail out.

After a break the conference resumed with a session entitled, "Making Rules out of Laws," chaired by **Margaret Blair**, Professor of Law at Vanderbilt. **Jim Overdahl**, Executive Vice President at NERA, an economics consulting firm, and former chief economist at the SEC, explained that there are many steps to convert the Dodd/Frank law into regulations. Accepted administrative procedures must be followed in writing rules, rules are subject to court challenges, and implementation may be weak if agency resources are inadequate. **Joanne Moffic-Silver**, General Counsel of the CBOE, discussed the effect of Dodd/Frank on the CBOE. Among the effects of DF are the changes in the authority of the CFTC versus the SEC, the coming of swap execution facilities to provide more transparency for



# Implementing Regulatory Change Conference (continued)



*Craig Lewis, on leave from Owen, to serve as Chief Economist of the SEC, chairs a session on innovation.*

the swap business, and an increase in competition among alternative trading systems. **Susan Milligan**, Senior VP for Government Relations for the Options Clearing Corp (OCC), commented on the effect of Dodd/Frank for the OCC.

The first session of the afternoon, chaired by **Bob Whaley**, Professor of Finance at Owen, dealt with the regulation of derivatives. **Mike Cahill**, President of the OCC, led off with a description of the OCC's clearing business and its growth due to new contracts and to increased trading. Dodd/Frank has put pressure to monitor risk more closely and to set adequate margin. **Pat White**, retired for a week from the Fed where she was Senior Associate Director of the Division of Research and Statistics and the resident derivatives expert, gave an overview of derivatives legislation and the likely changes resulting from

Dodd/Frank. The "regulatory divide" between the SEC and CFTC will become murkier but will adhere to the basic principle that the SEC has jurisdiction over contracts on single securities and narrow indices while the CFTC regulates contracts on broad indices and on non-equity instruments. The numerous swap clearing facilities or central repositories will be overseen by the SEC and CFTC according to regulatory divide principles. **Stefan Mai**, Head of Market Policy and European Public

Affairs at the Deutsche Boerse, spoke on regulatory developments in Europe. As in the U.S. regulators are calling for greater transparency and for centralized clearing.

In the next session, **Rick Kicollin**, co-head of Sanborn Kicollin Partners, spoke on the series of rare events that brought down the Concorde on take-off. At first the audience thought Rick had come to the wrong conference, but by the end of his tale the analogy to managing the risk of a large complex financial institution became clear. **Andrei Kirilenko**, chief economist of the CFTC, next spoke on the Flash Crash of May 6, 2010, an occasion on which some stock prices fell to nearly zero. A simple solution to protect investors from selling at a zero price is to require every order to have a limit price. The final talk of the day was given by **Tom Ho**, Research Professor at the Owen School and principal of a financial



VANDERBILT UNIVERSITY  
OWEN GRADUATE SCHOOL OF MANAGEMENT

Financial Markets Research Center 2011  
401 Twenty-first Avenue South • Nashville, TN 37203  
615-322-3671 • www.owen.vanderbilt.edu/fmrc/

**Hans R. Stoll**, Director  
**Robert E. Whaley**, Co-Director  
**J. Dewey Daane**, Senior Advisor  
**Paul Chaney**, Data Coordinator  
**Christoph Schenzler**, Research Associate and Data Base Manager  
**Pat Scott**, Administrator

## FUNDING

The Center, founded in 1987, is funded by its members and by an endowment. Funds are used to maintain financial markets data bases and to support the Center's research projects. Members participate in all activities of the Center, receive research reports, and give advice on the activities and research direction of the Center.

Members over the past 24 years include the following:

- Aeltus Investment Management, Inc.
- Archipelago, LLC
- America's Community Bankers
- Bank Administration Institute
- Bankers Trust Company
- Bear, Stearns Company, Inc.
- Boston Options Exchange Group, LLC
- Caterpillar Financial Services Corp.
- \* Chicago Board Options Exchange
- Chicago Mercantile Exchange
- \*\* CME Group Inc.
- CTS Strategic Investments
- Eclipse Capital Management, Inc.
- Equitable Securities Corporation
- \*\* Eurex Frankfurt AG
- Hirtle, Callaghan & Co.
- Hull Group LLC
- \*\* Interactive Brokers Group
- International Securities Exchange, Inc.
- J. C. Bradford & Company
- Lavery Consulting Group, LLC
- Matlock Capital LLC
- Merrill Lynch & Company, Inc.
- Morgan Stanley Group, Inc.
- \*\* The NASDAQ OMX Educational Foundation, Inc.
- National Association of Securities Dealers, Inc.
- Nelson Capital Corp.
- New York Mercantile Exchange
- New York Stock Exchange, Inc.
- NYSE Euronext
- \* Options Clearing Corporation
- Options Industry Council
- Pacific Exchange
- Ramsey Quantitative Systems, Inc.
- Refco Group, Ltd.
- Ronin Capital, LLC
- Shayne & Co. LLC
- State Street Global Advisors
- Susquehanna International Group, LLP
- Thales Fund Management, LLC
- Timber Hill Incorporated
- Tudor Investment Corporation
- Van Hedge Fund Advisors International, Inc.
- White Cap Trading LLC
- Willis Corroon

\* indicates current member

\*\* indicates current lead member

continued on page 4



## FROM THE DIRECTOR

The Center is actively involved in developing ways to stimulate research and increase contact among scholars from around the globe. This year the Center initiated a visiting scholar program to bring



Hans R. Stoll

to Vanderbilt scholars from other universities for a short visit, typically for the month of May (when classes are over and the weather is good). This year the visiting scholar was **Alex Stomper** of the University of Vienna and MIT. We welcome inquiries about this program, which will typically pay expenses for a one month visit plus an honorarium.

The Center also initiated a one year post-doc fellowship which is open to recent PhDs, who for one reason or another have not taken a permanent position and who wish to devote full-time to their research. There are no teaching obligations. The post-doc for the academic year 2011-12 is **Shubo Wang**, who received his PhD from UBC. In addition to these new initiatives, the Center continues to support the weekly seminar program, summer faculty research projects, data base purchases, and programming assistance.

A key feature of the Center's activities is to support conferences organized by Center faculty to stimulate thinking about a current policy issue or to bring together scholars on a particular topic. The 2011 spring conference on the topic, "Implementing Regulatory Change in the

Financial Markets," was held in May and is described elsewhere in this newsletter. The fall 2010 research conference on "Human Capital and Finance," was organized by **Miguel Palacios** and held in October. The conference scheduled for October 14, 2011 is organized by **Nick Bollen** and brings together 10 top academic researchers to present the latest research on hedge funds.

Faculty affiliated with the Center are active in the world of practice. Co-director of the Center, **Bob Whaley**, and **Jacob Sagi** designed the alpha index, which measures the extent to which a stock outperforms or under performs an index. Options on the index allow an investor to capture the over performance (or under performance) of the index. Research Professor of Financial Markets, **Tom Ho**, has long been a leader in applying Finance theory to business practice. His firm is currently engaged in assessing firm valuations and in providing best estimates of capital needs.

There have been a number of changes in Center faculty. In July, **Craig Lewis**, Professor of Finance, was appointed chief economist of the SEC. Craig has been on leave to the SEC and is expected to serve as chief economist for two years and then return to his faculty position at Owen. Joining the faculty on a visiting basis is **Paul Seguin**. Paul will teach three courses and participate in the activities of the Center. He has had prior faculty appointments at Michigan and Minnesota. ■

## GOALS OF THE CENTER

The Financial Markets Research Center at Vanderbilt University fosters scholarly research in financial markets, financial instruments, and financial institutions. Research of the Center examines participants in financial markets, such as brokers, exchanges, financial intermediaries, and businesses needing financing. The Center:

- Provides a mechanism for interaction among industry practitioners, academic researchers, and regulators.
- Identifies critical research issues in financial markets.
- Supports research by faculty members and PhD students at Vanderbilt.
- Maintains data bases.
- Disseminates research about financial markets. ■



## Implementing Regulatory Change Conference (continued)

consulting firm. He presented a macro-consistent model of a financial system which grows in fragility as it grows in size. An economy with the simplest financial system – Level One – is basically a bank loan system. A Level Two system is more complex as it introduces secondary trading markets and more complex securities. A Level Three system has side bets in which investors can make



*Randolph Roth and Uwe Schweikert taking a break.*

bets on outcomes not directly related to the real economy. Ho also discussed three principals of regulation – transparency, competition, and incentive alignment.

At this point the conference ended for the first day, and participants adjourned for liquid refreshment and dinner.

Day two began with talks by two distinguished contributors to U.S. financial markets, Jim Cochrane and John Damgard. **Jim Cochrane** was, for many years, chief economist and Senior VP for Planning at the NYSE. In that capacity he sought out academics and academic research to help modernize the NYSE. Jim spoke about the various constituents of the financial markets – retail investors, issuers, institutions, traders, and the general public, and discussed how these constituencies were being served. **John Damgard** has been President of the Futures Industry Association, a

trade group, for 30 years. Located in Washington DC, Damgard takes the pulse of the political scene daily and speaks for the futures industry before Congress or other venues. In his talk he commented on the massive amount of rule making required by Dodd/Frank, and he noted that turf battles are inevitable as the SEC, CFTC and bank regulators attempt to bolster their authority.

The last session of the conference dealt with some innovations in money management and trading and was chaired by **Craig Lewis**, on leave from his post as Professor of Finance at Owen to be appointed Chief Economist of the SEC. In the first talk, **Nick Bollen**, Professor at Owen, examined in detail the behavior and reporting by hedge funds, a significant innovation in the last 15 years. Bollen showed that there are observable signs of misreporting by hedge funds that include “kinks” in the return distribution and low correlation with style factors. These data can provide regulators with early warning signals of problems. The last talk of the conference was by **Bob Whaley**, Professor of Finance at Owen and co-director of the FMRC. Bob, who is well known for developing the VIX index 20 years ago, reported on a new “alpha index” of relative performance, developed with **Jacob Sagi**, that provides the basis for trading options on relative performance. ■

## Dewey Daane Invitational Tennis Tournament

**T**he Daane Invitational took place on a beautiful day in May under the watch-full eye of “Governor” Daane. The “Governor” regrets not playing but he was pleased to present the contents of the Daane Cup to winner Craig Lewis and runner-up Ken Sutrick. ■



*Tennis Players?*



# Human Capital and Finance

The Financial Markets Research Center sponsored a conference, "Human Capital and Finance," which took place on October 9<sup>th</sup>, 2010. Professor **Miguel Palacios** organized the one-day event, which included 9 presentations on topics linking corporate finance and asset-pricing to human capital. Presenters addressed a wide variety of issues, such as the aggregate value and risk of human capital, the individual value and risk of human capital, the effect that human capital's riskiness may have on a firm's riskiness and its leverage decisions, and the impact that human capital has on strategic issues, such as mergers and spinoffs. The conference was the second sponsored by the FMRC intentionally aimed at a specific research area and held in a workshop atmosphere. Another focused conference is planned for the fall of 2011.

After a brief introduction by **Hans Stoll**, **Paolo Fulghieri**, from the University of North Carolina's Kenan Flager School, kicked-off the event with a keynote address and the presentation of his paper, "Mergers, spinoffs, and employee incentives." Professor Fulghieri emphasized that human capital has become increasingly important in a knowledge society. The knowledge generated by an employee can benefit the employer, the employer's competition, or the employee himself. Understanding who benefits under different circumstances leads to predictions about firms merging, spinning off ventures, and providing incentives to employees.

Ashwini Agrawal, from New York University's Leonard N. Stern School of Business, presented empirical evidence that firms take into account the unemployment risk faced by employees when choosing the firm's capital structure. Agrawal reports in his paper, "Labor unemployment risk and corporate financing decisions," that firms increase their leverage when unemployment compensation increases. His result provides evidence that human capital risk affects firms' financial policy.

The second session of the day focused on asset-pricing. **Adrien Verdelhan**, from MIT's Sloan School of Management, presented a novel methodology for calculating the value of total wealth, of which human capital is the largest component. Professor Verdelhan finds that human capital accounts for 90% of total wealth, and shows that its risk characteristics are closely associated with that of bonds, instead of stocks. Verdelhan's work suggests that commentators give too much coverage to the stock market since its impact on total wealth is rather small. Much more important, as far as "wealth destruction" goes, are movements in interest rates. The second session ended with **Nikolai Roussanov's** presentation of "Composition of Wealth, Conditioning Information, and

Cross-Section of Stock Returns." Professor Roussanov, who is on the faculty of the Wharton School, showed that accounting for the relative size of human capital in the economy does not explain why some apparently low-risk portfolios deliver high returns. His work means that researchers are still challenged to explain empirical facts that seem to contradict basic theoretical predictions about risk and return.

The third session was also devoted to asset pricing. Professor **Lu Zhang**, from the Fisher College of Business at Ohio State University, presented "An equilibrium asset-pricing model with labor market search." His theoretical paper emphasizes that, given the cost of finding employees, fluctuations in unemployment induce economy-wide swings in consumption which make assets much more risky. Immediately after Zhang, **Francois Gourio**, from Boston University's economics department, presented evidence that labor intensity affects operational leverage. His paper, "Labor Leverage, Firms Heterogeneous Sensitivities to the Business Cycle, and the Cross-Section of Stock Returns," provides evidence that labor intensive firms have pro-cyclical earnings volatility, which in turn translates into higher average returns.

The final session of the day focused solely on the value and the risk of human capital. **Paul Willen** presented "Insuring Consumption Using Income-Linked Assets." Willen, who does research at the Federal Reserve Bank of Boston, takes the position that the value from insuring consumption using income-linked assets is not very high. His view is based on a theoretical model in which he calculates the welfare gains from taking away uncertainty in income fluctuations. **Gregory Kaplan**, who is in the economics department at the University of Pennsylvania, introduced a method to estimate the highest and lowest possible valuation and expected returns on human capital, consistent with the behavior of other assets in the economy. His conclusion is that these bounds are very wide, justifying the practice of making additional assumptions typically found in the literature.

The conference ended with presentation of "Human Capital as an Asset Class" by Owen's **Miguel Palacios**. Palacios' paper introduces a theoretical framework for estimating the value and return of human capital. He concludes that, to a first order approximation, human capital represents 88% of total wealth (a result consistent with Verdelhan's earlier empirical calculations) and that human capital should be considered a less-risky asset than equity. These results contradict common assumptions that consider human capital to be only 60 or 70% of wealth and highlight that human capital is, by far, the largest component of total wealth. ■



# Research Workshops

Workshops conducted at the Owen School throughout the year provide a forum for the exchange and testing of new ideas in areas of current research. During 2010-2011 the following researchers presented work on finance topics:

08/27/10 – **Shage Zhang**, *Vanderbilt University*: “Compensation Gap Among Top Executives: Tournament Competition, Marginal Productivity Differentials, or Governance Failure”

09/10/10 – **Richard C. Green**, *Carnegie Mellon University*: “Financial Expertise as an Arms Race”

10/22/10 – **Tom Chang**, *University of Southern California*: “How Many Pears Would a Pear Packer Pack If a Pear Packer Could Pack Pears at Quasi-exogenously Varying Piece Rates? An Empirical Investigation of Inter-temporal Labor Supply”

10/29/10 – **Peter Demerjian**, *Emory University*: “The Impact of Changes in Balance Sheet Covenant Protection on the Design of Private Loan Contracts”

11/05/10 – **Pierre Collin-Dufresne**, *Columbia University*: “On the Relative Pricing of Long Maturity S&P 500 Index Options and CDX Tranches”

12/03/10 – **Alex Stomper**, *MIT*: “Snow and Leverage”

12/10/10 – **Lixiong Guo**, *Vanderbilt University*: “Board Structure and Monitoring: New Evidence from CEO Turnover”

01/14/11 – **Nicolas Bollen**, *Vanderbilt University*: “Hedge Fund R<sup>2</sup>: What’s Under the Hood?”

01/21/11 – **Yongxian Tan**, *Vanderbilt University*: “Debt-equity Choice, Growth Options and Market Timing”

03/18/11 – **Clemens Sialm**, *University of Texas at Austin*: “Complex Mortgages”

03/25/11 – **Cathy Shrand**, *University of Pennsylvania*: “Analyst Recommendations and Higher Order Beliefs: Explaining Bubbles and Price Drift”

04/04/11 – **Tarun Ramadorai**, *Oxford University*: “Asset Fire Sales and Purchases and the International Transmission of Financial Shocks”

04/08/11 – **Qiang Zhang**, *University of Leicester*: “Consumption, Precautionary Saving, and Market Incompleteness in a Model of Intertemporal Hedging”

04/15/11 – **Costis Skiadas**, *Northwestern University*: “Scale-Invariant Asset Pricing Theory: A General Discrete Framework with Ambiguity-Aversion Applications”

04/22/11 – **Greg Waymire**, *Emory University*: “Language sustains trust and cooperation even when uncertainty enables widespread cheating on social contracts”

04-29-11 – **Martin Cheldes**, *Columbia University*: “Why there are on-the-run/off-the-run phenomena” ■

# Guest Speakers

An important aspect of the education of MBA students and the faculty at the Owen School is the opportunity to listen to and question senior executives from financial industries. Outside speakers are sponsored directly by the Financial Markets Research Center, the Owen Lecture Series, or the Finance Association, or are invited as an integral part of courses such as Monetary and Fiscal Policy and Financial Institutions. Guest speakers during the 2010-2011 academic year were:

**Paul Bishop**, Vice President, *National Association of REALTORS*

**Michael Brakebill**, Chief Investment Officer, *Tennessee Consolidated Retirement System*

**Roger E. Brinner**, Partner and Chief Economist, *The Parthenon Group*

**Jim Cooper**, Congressman, *Tennessee’s 5<sup>th</sup> District*

**Robert R. Davis**, Executive Vice President, *American Bankers Association*

**Richard Dreiling**, President and Chief Executive Officer, *Dollar General*

**Vikas Dwivedi**, Principal at *Quantum Energy Partners*

**James S. Gulmi**, Senior Vice President, Finance and CFO, *Genesco*

**Thomas S.Y. Ho**, *Thomas Ho Company LTD*

**G. William Hoagland**, Vice President of Public Policy, *Cigna Corporation*

**Jeffrey M. Holland**, Chief of Projections Unit, *Congressional Budget Office*

**Douglas Holtz-Eakin**, President, *American Action Forum*

**Donald L. Kohn**, Senior Fellow, Economic Studies, *Brookings* (former Vice Chairman, *Board of Governors of the Federal Reserve System*)

**Arthur Laffer**, Founder and CEO, *Laffer Associates - Nashville*

**Peter Layton**, Chairman, *Boston Options Exchange* and CEO, *Tallgrass Group*

**Dennis P. Lockhart**, President, *Federal Reserve Bank of Atlanta*

**Catherine L. Mann**, Professor of Economics, *Brandeis University* and Visiting Fellow, *Peterson Institute for International Economics*

**Martin J. Mauro**, Managing Director and Fixed Income Strategist, *Merrill Lynch*

**Robert McArdie**, Global Head of Credit Research and Strategy, *BNP Paribas*

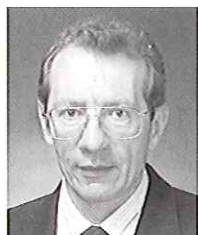
**Rudolph G. Penner**, Senior Fellow, *The Urban Institute* (former Managing Director, *Barens Group KPMG*, and former Director, *Congressional Budget Office*)

**Deborah Perelmuter**, Senior Vice President, *Federal Reserve Bank of New York*

**John G. Walsh**, Chief of Staff and Public Affairs, *Office of the Comptroller of the Currency* ■



# Current Activities of Center Faculty



**CLIFFORD A. BALL**, Professor of Finance and Statistics and Faculty Director of the PhD Program. MSc, Nottingham 1975, PhD (Mathematics), University of New Mexico 1980.

Research interests include equities, bonds, options, and futures contracts; empirical testing of financial models; stochastic processes and statistical applications to finance; stochastic volatility and correlation, the European monetary system; capital requirements, risk management and value-at-risk. He is currently focused on state space time series applications to Finance.

During the past year, Professor Ball taught a two-module sequence in Financial Econometrics designed for MSF students, Risk Management, and Investments. He serves as Director of Graduate Studies for the Owen PhD Program and has participated in the "PhD Project," a program designed to attract students from underrepresented minorities, which is held in Chicago each November. Ball is also a member of the Executive Committee of the Graduate School Council and serves as associate editor for the *Journal of Empirical Finance* and as referee for numerous other finance and economics journals.

Professor Ball's paper, "Contagion in the Presence of Stochastic Interdependence" (with Walter Torous), is under review at the *Review of Financial Studies*.



**KATHRYN BARRACLOUGH**, Visiting Lecturer in Finance, PhD, Australian National University 2007.

Current research interests include derivatives, corporate

finance and asset pricing. In 2010, Kate became the program director of the Master of Science in Finance program. In this role she oversees the day to day running of the program, and is closely involved with admissions, placement and alumni relations. During the past year, Kate has had two papers accepted for publication. "Early exercise of put options on stocks" (with Robert E. Whaley) is forthcoming in the *Journal of Finance*, and "Stock option contract adjustments: the case of special dividends" (with Hans R. Stoll and Robert E. Whaley) is forthcoming in the *Journal of Financial Markets*. Kate teaches Financial Modeling and Derivatives.



**NICOLAS P.B. BOLLEN**, E. Bronson Ingram Associate Professor of Finance MBA, PhD, Duke University, 1997.

Research interests include hedge funds, mutual funds, derivatives, and financial markets. Professor Bollen continued to develop his research focus on hedge funds as he traveled around the world to present the results of several current projects over the past year. In the fall of 2010, he visited Hong Kong and Singapore, including stops at the University of Hong Kong, Hong Kong University of Science and Technology, Nanyang Technological University, National University of Singapore, and Singapore Management University. He presented his paper, "Suspicious patterns in hedge fund returns and the risk of fraud," (with Veronika Pool of Indiana University). This paper studies the ability to predict which hedge funds are at higher risk of fraud by examining a battery of statistical oddities in their return histories.

In the spring of 2011, he presented a new paper, "Zero-R<sup>2</sup> Hedge Funds," at the 3<sup>rd</sup> Annual Conference on Hedge Funds in Paris, the 5<sup>th</sup> Annual Conference on Professional Asset Management in Rotterdam, and at the University of Venice. This paper uses a simulation-based technique to identify hedge funds that have zero exposure to underlying strategy factors. Despite having technically zero systematic risk, these funds feature an elevated failure rate, suggesting that they are exposed to an important but unidentified source of risk. The paper is currently under review at a journal. Current projects include a study of techniques for replicating the experience of hedge fund investing using standard asset building blocks as well as a study of the impact of a hedge fund's name on performance and the ability to raise capital. Professor Bollen is organizing a conference on hedge funds at Vanderbilt on October 14, 2011. Seven of the leading researchers in the field will come to share their ideas, including Stephen Brown from New York University, Will Goetzmann from Yale, and Bill Fung from the London Business School.



**NICOLE BRANGER**, Visiting Professor of Finance, PhD, University of Karlsruhe 2001. Habilitation, Goethe-University Frankfurt 2005.

Research areas include asset pricing and derivatives. Professor Branger teaches Advanced Derivatives at Owen and Derivatives, Asset Pricing, and Capital Market Theory at the University of Muenster. She presented her paper, "Two Trees the EZ Way" (with Ioana Dumitrescu, Vesela Ivanova, and Christian Schlag), at the SFS Finance Cavalcade at the University of Michigan in May 2011. She served as referee for the European Finance Association and the German Finance Association annual meetings in 2010 and 2011.



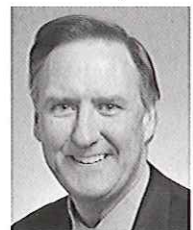
**PAUL K. CHANEY**, E. Bronson Ingram Professor of Accounting, MBA, PhD, Indiana 1983, CPA, CMA.

Research interests include auditor reputation, the quality

of earnings, earnings management, and audit pricing.

Professor Chaney's paper, "The Quality of Accounting Information in Politically Connected Firms," was published in the *Journal of Accounting and Economics* in February 2011. This paper ranks as one of the top downloaded papers in the Journal of Emerging Markets: Finance eJournal on SSRN. His paper (with Debra Jeter, Steven Cahan, and Wei Zhang), "Analysts and Audit Quality: Analysts' Forecasts during the Meltdown of Andersen," was presented at several conferences during 2011.

Professor Chaney serves on the editorial boards of three journals: the leading American Accounting Association (AAA) journal, *The Accounting Review*, the AAA journal in auditing, *Auditing: A Journal of Theory and Practice*, and a leading journal in international accounting, *International Journal of Accounting*.



**WILLIAM G. CHRISTIE**, Frances Hampton Currey Professor of Management and Professor of Law, MBA, PhD, Chicago 1989.

Research interests include financial markets,

market microstructure, and corporate finance.

Professor Christie concludes his role as Executive Editor of *Financial Management*, the flagship journal of the Financial Management Association. He has served as Executive Editor for the past six years, doubling the number of annual

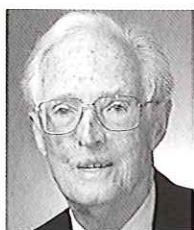
continued on page 8



# Faculty Activities *(continued)*

submissions and reducing the turnaround time by almost 50%. He served as co-chair of the fourth annual UC Davis/FM Conference on Financial Markets that was held at the Cakebread Winery in Napa, California.

Christie completed a six year term as a member of the university Promotion and Tenure Review Committee (two years as chair), and finished his term as Faculty Director of the Executive MBA program. He now chairs the Curriculum Committee and serves on the Student Achievement Committee and Executive Program Guidance Committee. He is a member of the dissertation committee for three doctoral students and continues in his role as faculty advisor to the Max Adler Student Investment Club. Christie teaches the core finance class to all incoming MAcc and MBA students in both the day and Executive programs. In addition, he serves as the interim finance area coordinator while Professor Lewis serves in his capacity as Director of Risk, Strategy and Financial Innovation at the Securities and Exchange Commission.



## J. DEWEY DAANE,

Frank K. Houston  
Professor of Finance,  
Emeritus and Senior  
Advisor to the Financial  
Markets Research  
Center. MPA, DPA,  
Harvard 1949.

Research interests include monetary economics and international finance. During the spring semester, as part of his Seminar in Monetary and Fiscal Policy, Professor Daane arranged for many of the guest speakers listed elsewhere in this newsletter.

In September of 2010, Professor Daane attended the 13<sup>th</sup> Annual International Banking Conference on “Macprudential Regulatory Policies: The New Road to Financial Stability?” hosted by the Federal Reserve Bank of Chicago in conjunction with the International Monetary Fund. In October, he attended the Bretton Woods – G/30 meetings in Washington DC, and in May 2011, he participated in the Financial Markets Research Center Conference on “Implementing Regulatory Change in the Financial Markets” at Vanderbilt. In September 2011, Daane attended the Bank and Fund meetings in Washington, DC.

Professor Daane at 93 is still a regular contributor to the *Wall Street Journals* monthly economic survey and has earned a spot in their

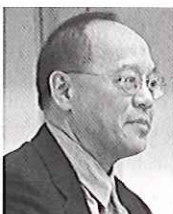
annual US economic-forecasting rankings. He also contributes to the *USA TODAY*'s quarterly economic forecast.



## LUKE M. FROEB,

William C. Oehmig  
Associate Professor of  
Entrepreneurship and  
Free Enterprise. PhD,  
Wisconsin 1983.

During the past year, Professor Froeb gave talks in Switzerland (at the Competition Agency, the University of St. Gallens, and at the University of Berne) on implementing the new Swiss Competition Laws; at the Canadian Competition Bureau, in Boston at the annual IIOC conference, and at the University of Texas in Dallas on a variety of topics related to the economics of antitrust. Professor Froeb continues to do research, consulting, and you can follow his thoughts on business and economics at his blog, *ManagerialEcon.com*. His textbook, *Managerial Economics*, is in its second edition from Cengage, and he has posted a series of talks on various chapters on his youtube channel, *lukefroeb*.



## THOMAS S.Y. HO,

Research Professor of  
Financial Markets. PhD  
(mathematics), University  
of Pennsylvania 1978.

Professor Ho is engaged in two research projects: (1) A model of the flow of risk and the principles of regulation; (2) Empirical analysis of arbitrage-free models. The financial sector is modeled as a network of agents providing the service of transforming risks from the household sector to the capital markets and back to the household sector. This framework enables us to investigate the mechanisms of the financial network in light of real sector production uncertainty. The research on arbitrage-free models uses intraday transaction data of treasury securities prices based on three second intervals to study the factors affecting the transaction prices of over 300 Treasury securities. An arbitrage-free valuation model of the Treasury securities prices is used to analyze the behavior of the deviations of the transaction prices from the model prices.

Professor Ho is currently writing a book on Financial Institutions, Oxford University Press, with Professor Sang-Bin Lee. His latest working paper, “Dynamic Financial Systems: Complexity,

Fragility and Regulatory Principles,” (with Hans Stoll and Miguel Palacios) was presented at a conference on “Bridging Theory and Practice in Finance, Macro and Regulation,” held at the Vanderbilt Law School in September. Ho continues to consult in the areas of risk management and fixed income analysis. He is serving on the Board of NYU Courant mathematical finance program and two academic journals.



## NICOLE THORNE

JENKINS, Associate  
Professor of Accounting,  
PhD, University of Iowa  
2002, CPA.

Research interests include corporate finance and financial accounting with specific emphasis on the quality of accounting information. Current research topics focus on how the credit default swap market responded to accounting information during economic crisis and on indications of declines in the quality of financial reports. Professor Jenkins' work appears in such leading publications as *The Accounting Review*, the *Journal of Accounting and Economics* and the *Review of Accounting Studies*. She teaches Intermediate and Advanced Financial Reporting and was nominated for “Top 40 Professors under 40” in 2010. In the past year, Professor Jenkins' work was invited for presentation at the American Accounting Association (AAA) – Annual Meeting, University of Illinois Auditing Conference, European Financial Management Association – Annual Meeting, Financial Accounting Research Section of the AAA – Midyear Meeting and the Auditing Section of AAA – Midyear Meeting. She serves as a referee for numerous accounting and finance journals.

Professor Jenkins recently contributed a chapter, “The Contagion Effect of Accounting Restatements,” to the *Financial Contagion: The Vinal Threat to the Wealth of Nations* edited by Robert W. Kolb. Her paper entitled “Information Asymmetry and Restatement Announcements: Evidence from Informed Trading” (with Brad Badertscher and Paul Hribar) is forthcoming in *The Accounting Review*.



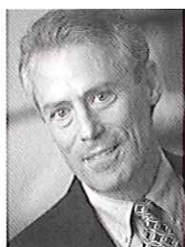
## DEBRA C. JETER,

Associate Professor of  
Accounting. MBA, Murray  
State 1981, PhD, Vanderbilt  
1990, CPA.

Research interests  
include financial accounting



and auditing, with specific interests in earnings and audit quality, earnings management, components of earnings, the market for audit services, audit pricing, and audit opinions. One of Professor Jeter's research papers, "Are All Industry Specialists the Same?" with S. Cahan and V. Naiker, was awarded the Best Paper Award in *Auditing Literature* at the AFAANZ (Accounting & Finance Association of Australia and New Zealand) Conference in 2011. Jeter was reappointed to the Editorial Board of *The Accounting Review* and appointed an Associate Editor of *Auditing: A Journal of Practice & Theory*. The 5<sup>th</sup> edition of her textbook, *Advanced Accounting* by Jeter and Chaney, is scheduled for publication in 2011.



**CRAIG M. LEWIS**, Madison S. Wiggington Professor of Finance. MS, PhD, Wisconsin 1986, CPA. On leave to the SEC as Chief Economist and Director of Risk Fin.

Research interests include equity analyst behavior, the security issue process, corporate financial policy, and the time series properties of stock market volatility. Current research topics include the estimation of expected bankruptcy costs, the specification of option pricing models when assets follow Levy processes, and convertible debt security design. Professor Lewis teaches courses in company valuation and corporate financial policy and serves as Finance Area Coordinator when at Owen. His objective while at the SEC is to bring economic analysis to bear on regulatory issues.



**ALEXEI OVTCHINNIKOV**, Assistant Professor of Finance. MBA, University of California, Riverside 2000, PhD, Purdue University 2004.

Research interests include regulation and mergers, board characteristics and firm performance, and the effect of market timing on firms' cost of capital.

Professor Ovtchinnikov completed two working papers during the past year: "Individual political contributions and firm performance" (with Eva Pantaleoni) and "Merger waves following industry deregulation." The first paper will appear in the *Journal of Financial Economics*, and the second paper is under revision for resubmission to a journal. He presented the papers at the Mid Atlantic Research Conference in March, at the European Financial Management Association in June in

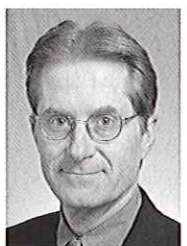
Braga, Portugal, and at the Financial Management Association European Meeting in June in Porto, Portugal.



**MIGUEL PALACIOS**, Assistant Professor of Finance. PhD, University of California, Berkeley 2009.

Research interests are in the fields of education financing, human capital and asset-pricing, and labor economics. He teaches courses in International Financial Markets and Instruments and in Corporate Valuation.

Professor Palacios organized the Fall FMRC Research Conference on Finance and Human Capital which was held at the Owen School in October 2010. During the past year, Palacios was a presenter at the Northern Finance Association conference in Winnipeg, Canada, the "Down Under" finance conference in Melbourne, Australia, the "Finance Cavalcade" in Ann Arbor, Michigan, and the European Financial Management Association conference in Braga, Portugal. He also presented his research at the Australian National University (Canberra, Australia), the University of New South Wales (Sydney, Australia), the Federico II University (Naples, Italy) and the University of Leicester (Leicester, U.K.).

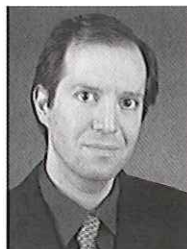


**DAVID C. PARSLEY**, E. Bronson Ingram Professor of Economics and Finance. AM, Indiana 1979, PhD, California, Berkeley 1990.

Research interests are in the fields of international finance and macroeconomics. His research examines links across countries, both in financial markets and in markets for goods and services. The role that exchange rates play in the market integration process is central to this research. His recent research has examined the value of political connections and corporate lobbying activities.

In July 2011, Professor Parsley visited the University of New South Wales, and Melbourne Business School where he presented unpublished research on the impact of news surprises on portfolios of lobbying and non-lobbying firms. His paper, "The Quality of Accounting Information in Politically Connected Firms," (with Paul Chaney and Mara Faccio) was published in the February 2011 issue of the *Journal of Accounting and Economics*, and two other papers have been accepted for publication. One, "Exchange Rate Pass-through in South Africa: Panel Evidence from Individual Goods

and Services," is forthcoming in the *Journal of Development Studies*, and the second (with Jeffrey Frankel and Shang-Jin Wei), "Slow Passthrough around the World: A New Import for Developing Countries," is forthcoming in the *Open Economies Review*.



**JACOB S. SAGI**, Associate Professor of Finance. BS, University of Toronto 1991, PhD, University of British Columbia (physics) 1995, (financial economics) 2000.

Research is focused on decision-making under risk and uncertainty, as well as asset pricing. An expert on financial economics and decision theory, Sagi has been published in *Econometrica*, the *Journal of Economic Theory*, the *Journal of Financial Economics*, *The Review of Financial Studies*, and other highly regarded journals. During the past year, Professor Sagi served on the review committees for the Utah Winter Finance Conference, the Tel-Aviv University Finance conference, and the IDC Caesera Center Conference. He served as a panelist and session chair at the 2010 FMA Doctoral Symposium and was invited to seminars at Queen's University, Johns Hopkins University, and Cornell University. Professor Sagi is an associate editor at *Emerging Markets Review* and *Mathematical Social Sciences*.



**CHRISTIAN SCHLAG**, Visiting Professor of Finance, University of Karlsruhe, PhD, Habilitation, 1996.

Professor Schlag is a regular visitor to the Owen School from Goethe University Frankfurt, where he specializes in derivatives and financial engineering. His recent publications include, "Pricing Two Heterogeneous Trees," (with Branger) which is forthcoming in the *Journal of Financial and Quantitative Analysis*; "Hedging under Model Mis-specification: All Risk Factors are Equal; but some are More Equal than Others," (with Branger, Krautheim, Seeger) forthcoming in the *Journal of Futures Markets*. Professor Schlag participated in the SFS Finance Cavalcade at the University of Michigan in May. His current research deals with volatility shocks and long run risk models.



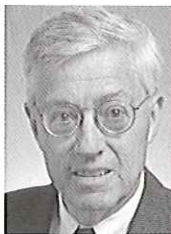
## Faculty Activities *(continued)*



**PAUL J. SEGUIN**, Visiting Professor of Finance and Statistics. MS, PhD, University of Rochester 1990.

Research areas include empirical finance, real estate investment trusts, and exchange traded funds.

Dr. Seguin has published over 25 peer-reviewed publications in the top journals in Finance, Economics and Real Estate and has literally written the book on Quantitative Skills for MBA students on behalf of the Graduate Management Admissions Council. After his tenure at the University of Michigan, where he received Teacher-of-the-Year awards and was faculty director of their Investor Relations Executive Education Program, Professor Seguin joined the faculty at the University of Minnesota. There, he created and ran the \$8 million student-run Golden Gopher Growth Fund and was the Director of Financial Executive Education. He has consulted for numerous governmental agencies and Fortune 500 companies, and has been the CFO for a technology start-up.

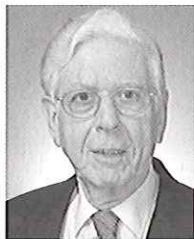


**HANS R. STOLL**, Anne Marie and Thomas B. Walker Professor of Finance and Director of the Financial Markets Research Center. MBA 1963, PhD 1966, University of Chicago.

Research interests include market microstructure, derivatives and other aspects of financial markets.

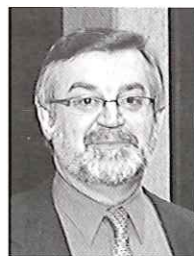
Professor Stoll's paper (with Bob Whaley), "Commodity Index Investing: Speculation or Diversification," appeared in the Summer 2011 edition of the *Journal of Alternative Investments*. His paper, "Special dividends and stock option contract adjustments," (with Kate Barraclough and Bob Whaley) is scheduled for publication in the *Journal of Financial Markets*. In January 2011, Stoll participated in a conference at the Wharton School honoring Marshall Blume and spoke at the pre-conference dinner. In the fall of 2010, Stoll spoke at alumni gatherings in New York and Chicago. In July 2011, he participated in the meeting of the Financial Economists Roundtable held in Monterey CA. Stoll is a past president of the American Finance Association. He currently serves on the editorial boards of five academic finance journals. His latest working paper, "Dynamic Financial Systems: Complexity,

Fragility and Regulatory Principles," (with Tom Ho and Miguel Palacios) was presented at a conference on "Bridging Theory and Practice in Finance, Macro and Regulation," held at the Vanderbilt Law School.



**H. MARTIN WEINGARTNER**, Brownlee O. Currey Professor of Finance, Emeritus. MS, PhD, Carnegie Mellon 1962.

Before his retirement from Owen in January 1998, Professor Weingartner taught courses in negotiation, case studies in finance, financial decision making, and real estate finance. His research over the years focused on the premise that specialty is the financial strategy of organizations – particularly entrepreneurial ventures. He has written extensively on the uses of mathematical models in financial decision making and approaches to capital budgeting and has consulted for major financial institutions and other organizations. Professor Weingartner is a past president of The Institute of Management Sciences and associate editor of *Management Science*.



**ROBERT E. WHALEY**, Valere Blair Potter Professor of Management (finance) and Co-Director of the Financial Markets Research Center. PhD, University of Toronto 1978.

Research interests include derivatives, asset pricing, market microstructure, and market volatility.

Professor Whaley's recent publications include "Commodity index investing and commodity futures prices" in *Journal of Applied Finance*, "Commodity index investing: Speculation or diversification?" in *Journal of Alternative Investments*, and forthcoming articles include "Stock option contract adjustments: The case of special dividends" in *Journal of Financial Markets*, "Early exercise of put options on stocks" in *Journal of Finance*, "No-arbitrage price relations: Options," *The Encyclopedia of Financial Models*, Frank Fabozzi (Editor), Hoboken, New Jersey: John Wiley & Sons, Inc., "No-arbitrage price relations: Forwards, futures, swaps" in *The Encyclopedia of Financial Models*, Frank Fabozzi (Editor), Hoboken, New Jersey:

John Wiley & Sons, Inc. and "Trading relative performance with alpha indexes" in *Financial Analysts Journal*.

Whaley holds a number of editorial positions, serves as a referee for many journals and granting agencies, and is a former member of the Board of Directors of the Western Finance Association and the American Finance Association. He is currently a member of the International Advisory Board of the University Centre for Financial Engineering at the National University of Singapore.



**RICHARD H. WILLIS**, Anne Marie and Thomas B. Walker, Jr. Associate Professor of Accounting. BS, University of South Alabama 1983, MAS, Ohio State University 1984, MBA, Duke University 1992, PhD, University of Chicago 1998, CPA (State of Illinois), 1996.

Research interests include security analysts and, in particular, their earnings forecasts, stock recommendations, and target prices. Teaching interests are in managerial accounting, courses for which he has won several teaching awards.

Professor Willis's research has been published in top academic journals, including the *Journal of Accounting and Economics*, the *Journal of Financial Economics*, and *The Accounting Review*. He presented his paper, "Equity Method Accounting and Sell-Side Analysts' Information Environment" (with S. Lee and S. Pandit, both at the University of Illinois at Chicago), at Southern Illinois University Carbondale in September 2010. He presented his paper, "Shareholder Litigation and Bank Loan Contracting" (with S. Deng and L. Xu, both at Southern Illinois University Carbondale), at the University of Southern California in April 2011. Both of these papers were also presented at the American Accounting Association annual meeting in Denver, CO in August 2011. Other projects include revisions to his paper, "Does Investor Sentiment Affect Sell-Side Analysts' Forecast Bias and Forecast Accuracy?" (with B. Walther at Northwestern University) and "Security Analysts, Cash Flow Forecasts, and Turnover" (with S. Pandit of the University of Illinois at Chicago and L. Zhou of Tulane University).

Willis is on the editorial board of *The Accounting Review* and serves as a referee for numerous accounting and finance journals. ■



# Faculty Research Papers

Current working papers, completed or revised since January 1, 2010, are listed below.

“Contagion in the Presence of Stochastic Interdependence,” **Clifford A. Ball** and Walter Torous, 2011

“Using option prices to infer overpayments and synergies,” **Kathryn Barraclough**, David T. Robinson, Tom Smith and **Robert E. Whaley**, 2011

“Suspicious patterns in hedge fund returns and the risk of fraud,” **Nicolas P. Bollen** and Veronika Pool, 2011

“Zero- $R^2$  Hedge Funds,” **Nicolas P. Bollen**, 2011

“The Role of Volatility Shocks and Rare Events in Long-Run Risk Models,” **Nicole Branger**, Paulo Rodrigues and **Christian Schlag**, 2010

“What Is the Equilibrium Price of Variance Risk? A Long-Run Risk Model with Two Volatility Factors,” **Nicole Branger** and Clemens Völkert, 2010

“Preference Heterogeneity and Survival in Long-Run Risk Models,” **Nicole Branger**, Ioana Dumitrescu, Vesela Ivanova, and **Christian Schlag**, 2011

“Damaged Auditor Reputation and Analysts’ Forecast Revision Frequency,” S. Cahan, **Paul K. Chaney**, **Debra C. Jeter**, and W. Zhang, 2011

“Analysts and Audit Quality: Analysts’ Forecasts during the Meltdown of Andersen,” **Paul K. Chaney**, **Debra C. Jeter**, Steven Cahan, and Wei Zhang, 2011

“Patent Hold Up and Antitrust: How a Well-Intentioned Rule Could Retard Innovation,” Bernhard Ganglmair, **Luke M. Froeb** and Gregory J. Werden, December 2010 *Vanderbilt Law and Economics Research Paper No. 11-3*

“Mergers Increase Output When Firms Compete by Managing Revenue,” Arturs Kalnins, **Luke M Froeb** and Steven T. Tschantz, *Vanderbilt Law and Economics Research Paper No. 10-27*

“Choosing Among Tools for Assessing Unilateral Merger Effects,” Gregory J. Werden and **Luke M Froeb**, March 2011

“Dynamic Financial Systems: Complexity, Fragility and Regulatory Principles,” **Thomas Ho**, **Miguel Palacios** and **Hans Stoll**, 2011

“Relevant but delayed information in negotiated audit fees,” **Nicole Thorne Jenkins**, K. Hackenbrack and M. Pevzner, June 2011

“The extent of informational efficiency in the credit default swap market: evidence from post announcement returns,” **Nicole Thorne Jenkins**, M. Kimbrough and J. Wang, June 2011

“The value of clawback,” P. Davis-Friday, **Nicole Thorne Jenkins** and A. Fried, August 2011

“Individual political contributions and firm performance,” **Alexei V. Ovtchinnikov** and Eva Pantaleoni, 2011

“Merger waves following industry deregulation,” **Alexei V. Ovtchinnikov**, 2011

“Human Capital as an Asset Class: Implications from a General Equilibrium Model,” **Miguel Palacios**, 2011

“Measuring Aversion to Debt: an Experiment among Student Loan Candidates,” Gregorio Caetano, **Miguel Palacios** and Harry A. Patrinos, 2011

“Do Fund Managers Make Informed Asset Allocation Decisions?” **Jacob Sagi** and Bradyn Breon-Drish, 2011

“Managed Distribution Policies in Closed-End Funds and Shareholder Activism,” Martin Cherkes, **Jacob Sagi** and Jay Wang, 2011

“Information Content of Public Firm Disclosures and the Sarbanes-Oxley Act,” Shimon Kogan, Bryan Routledge, **Jacob Sagi** and Noah Smith, 2011

“The Relative Value of Public, Non-Listed REITs,” **Paul J. Seguin**, August 2011

“Hedging Costs, Index Volatility, and the Underperformance of Leveraged Exchange-Traded Funds,” Brian Henderson and **Paul J. Seguin**, August 2011

“Achieving Commodity Exposure Using Commodity ETFs,” Brian Henderson, Craig McCann and **Paul J. Seguin**, 2011

“Equity Method Accounting and Sell-Side Analysts’ Information Environment,” S. Lee, S. Pandit and **Richard H. Willis**, August 2011

“Shareholder Litigation and Bank Loan Contracting,” S. Deng, L. Xu and **Richard H. Willis**, August 2011

“Does Investor Sentiment Affect Sell-Side Analysts’ Forecast Bias and Forecast Accuracy?” B. Walther and **Richard H. Willis**, 2011

“Security Analysts, Cash Flow Forecasts, and Turnover,” S. Pandit, L. Zhou and **Richard H. Willis**, 2011 ■



## 2010-2011 PUBLICATIONS

- Barraclough, Kathryn, Robert E. Whaley, 2011. Early exercise of put options on stocks. *Journal of Finance* (forthcoming)
- Barraclough, Kathryn, Stoll, Hans R., Whaley, Robert E., 2011. Stock option contract adjustments: the case of special dividends. *Journal of Financial Markets* (forthcoming)
- Ang, A., Bollen, Nicolas, P., 2010. Locked up by a lockup: Valuing liquidity as a Real Option. *Financial Management*, 39, 1069-1095.
- Bollen, Nicolas P., 2011. The financial crisis and hedge fund returns. *Review of Derivatives Research*, 14, 117-135.
- Branger, Nicole, Mahayni, Antje, 2011. Tractable Hedging with Additional Hedge Instruments. *Review of Derivatives Research*, 14, 85-114.
- Branger, Nicole, Schlag, Christian, Wu, L., 2011. Pricing Two Heterogeneous Trees. *Journal of Financial and Quantitative Analysis* (forthcoming)
- Branger, Nicole, Krautheim, Eva, Schlag, Christian, Seeger, N., 2011. Hedging Under Model Misspecification: All Risk Factors Are Equal, But Some Are More Equal than Others. *Journal of Futures Markets* (forthcoming)
- Chaney, Paul, Jeter, Debra, 2010. *Advanced Accounting*, 4th ed. Wiley & Sons, Inc.
- Chaney, Paul, Faccio, Mara, Parsley, David C., 2011. The Quality of Accounting Information in Politically Connected Firms. *Journal of Accounting and Economics*, 51(1-2), p. 58-76.
- Doane, Michael, Froeb, Luke and Tschantz, Steven, 2010. WARNING: Improper Use of the New *Horizontal Merger Guidelines* Can Result in Overly Narrow Markets, Mistaken Inferences of Market Power, and Wrong-Headed Analyses. *CPI Antitrust Journal* (October) 10:2.
- Tenn, Steven, Froeb, Luke M., Tschantz, Steven, 2010. Merger Effects When Firms Compete by Choosing Both Price and Promotion. *International Journal of Industrial Organization*, 28:6, (November) 695-707.
- Froeb, Luke M., Shor, Mikhael, Werden, Greory J., 2011. Behavioral Antitrust and Merger Control. *Journal of Institutional and Theoretical Economics*, 167:1, 126-142.
- Froeb, Luke, Kobayashi, Bruce, 2011. Adversarial vs. Inquisitorial Justice. *Economics of Evidence, Procedure and Litigation*, vol. II, edited by Chris William Sanchirico, Edward Elgar (forthcoming).
- Ho, Thomas S.Y., 2010. Business Models: Applications to Capital Budgeting, Equity Value and Return Attribution. *Handbook of Quantitative Finance and Risk Management*, edited by Cheng-Few Lee and Alice C. Lee, Springer, 501-511.
- Badertscher, B., Hribar, P., Jenkins, Nicole Thorne, 2011. Information asymmetry and restatement announcements: evidence from informed trading. *The Accounting Review* (forthcoming)
- Hay, D., Jeter, Debra, 2010. The Pricing of Industry Specialization by Auditors in New Zealand. *Accounting and Business Research*
- Cahan, S., Jeter, Debra, Naiker, V., 2011. Are All Industry Specialists the Same? *Auditing: A Journal of Practice & Theory* (forthcoming)
- Gande, Amar, Lewis, Craig M., 2009. Shareholder Initiated Class Action Lawsuits: Shareholder Wealth Effects and Industry Feedback. *Journal of Financial and Quantitative Analysis* (forthcoming)
- Ovtchinnikov, Alexei, V., 2010. Capital structure decisions: Evidence from deregulated industries. *Journal of Financial Economics*, 95 (February) 249-274.
- Cooper, M., Gulen, H., Ovtchinnikov, Alexei, V., 2010. Corporate political contributions and stock returns. *Journal of Finance*, 65, (April) 687-724.
- Cooper, Michael J., McConnell, J.J., Ovtchinnikov, Alexei V., 2010. What is the best way to trade using the January Barometer? *Journal of Investment Management* (forthcoming)
- Parsley, David C., Popper, H., 2010. Understanding Real Exchange Rate Movements with Trade in Intermediate Products. *Pacific Economic Review*, 15:2, 171-188.
- Frankel, Jeffrey, Parsley, David C., Wei, Shang-Jin, 2011. Slow Passthrough around the World: A New Import for Developing Countries. *Open Economies Review* (forthcoming)
- Parsley, David C., 2011. Exchange Rate Pass-through in South Africa: Panel Evidence from Individual Goods and Services. *Journal of Development Studies* (forthcoming)
- Chew Soo Hong, Sagi, Jacob S., 2011. An Inequality Measure for Stochastic Allocations. *Journal of Economic Theory* (forthcoming)
- Sagi, Jacob S., Whaley, Robert E., 2011. Trading Relative Performance with Alpha Indices. *Financial Analyst Journal* (forthcoming)
- Stoll, Hans R., Whaley, Robert E., 2010. Commodity index investing and commodity futures prices. *Journal of Applied Finance* 20 (Spring) 7-46.
- Stoll, Hans R., Whaley, Robert E., 2011. Commodity index investing: Speculation or diversification? *Journal of Alternative Investments*, 14, 50-60.
- Whaley, Robert E., 2011. "No-arbitrage price relations: Options," *The Encyclopedia of Financial Models*, Frank Fabozzi (Editor), Hoboken, New Jersey: John Wiley & Sons, Inc. (forthcoming).
- Whaley, Robert E., 2011. "No-arbitrage price relations: Forwards, futures, swaps," *The Encyclopedia of Financial Models*, Frank Fabozzi (Editor), Hoboken, New Jersey: John Wiley & Sons, Inc., (forthcoming). ■