

---

JOURNAL OF FINANCIAL AND QUANTITATIVE ANALYSIS

A PUBLICATION OF THE  
 UNIVERSITY OF WASHINGTON  
 SCHOOL OF BUSINESS ADMINISTRATION  
 IN COOPERATION WITH THE  
 UNIVERSITY OF UTAH  
 DAVID ECCLES SCHOOL OF BUSINESS AND  
 NEW YORK UNIVERSITY  
 LEONARD N. STERN SCHOOL OF BUSINESS

VOL. 42, NO. 1, MARCH 2007

---

The U-Shaped Investment Curve: Theory and Evidence . . . . .	1
Sean Cleary, Paul Povel, and Michael Raith	
An International Examination of Affine Term Structure Models and the Expectations Hypothesis . . . . .	41
Huarong Tang and Yihong Xia	
The Empirical Failure of the Expectations Hypothesis of the Term Structure of Bond Yields . . . . .	81
Lucio Sarno, Daniel L. Thornton, and Giorgio Valente	
Chapter 11: Duration, Outcome, and Post-Reorganization Performance . .	101
Diane K. Denis and Kimberly J. Rodgers	
Time-Series Behavior of Share Repurchases and Dividends . . . . .	119
Bong-Soo Lee and Oliver Meng Rui	
Derivative Lawsuits as a Corporate Governance Mechanism: Empirical Evidence on Board Changes Surrounding Filings . . . . .	143
Stephen P. Ferris, Tomas Jandik, Robert M. Lawless, and Anil Makhija	
Stealth Trading in Options Markets . . . . .	167
Amber Anand and Sugato Chakravarty	
Bayesian Learning in Financial Markets: Testing for the Relevance of Information Precision in Price Discovery . . . . .	189
Nikolaus Hautsch and Dieter Hess	
Generalized Analytical Upper Bounds for American Option Prices . . . . .	209
San-Lin Chung and Hsieh-Chung Chang	
All Events Induce Variance: Analyzing Abnormal Returns When Effects Vary across Firms . . . . .	229
Scott E. Harrington and David G. Shrider	

## MANAGING EDITORS

Hendrik Bessembinder  
University of Utah

Stephen Brown  
New York University

Paul Malatesta  
University of Washington

## ASSOCIATE EDITORS

Andrew Ang  
Columbia University

Warren Bailey  
Cornell University

Gurdip Bakshi  
University of Maryland

Jeffrey Coles  
Arizona State University

Pierre Collin-Dufresne  
University of California, Berkeley

Jennifer Conrad  
University of North Carolina

Wayne Ferson  
University of Southern California

Robert Goldstein  
University of Minnesota

Mark Grinblatt  
University of California, Los Angeles

Jarrad Harford  
University of Washington

Jonathan Karpoff  
University of Washington

Michael Lemmon  
University of Utah

Francis Longstaff  
University of California, Los Angeles

Ananth Madhavan  
Barclays Global Investors

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

Pedro Santa-Clara  
University of California, Los Angeles

Paul Schultz  
University of Notre Dame

Chester Spatt  
Carnegie-Mellon University

Hans Stoll  
Vanderbilt University

Pietro Veronesi  
University of Chicago

Ralph Walkling  
Drexel University

Ivo Welch  
Brown University

David Yermack  
New York University

Guofu Zhou  
Washington University in St. Louis

STAFF: Martha (Marty) Auvil, Editor  
Susan Huot, Office Manager

The Journal of Financial and Quantitative Analysis (ISSN 0022-1090), School of Business Administration, University of Washington, 115 Lewis, Box 353200, Seattle, WA 98195-3200, is published quarterly in March, June, September, and December by the University of Washington School of Business Administration 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. POSTMASTER: Send address changes to Journal of Financial and Quantitative Analysis, School of Business Administration, University of Washington, Seattle, WA 98195-3200. Periodicals postage is paid at Seattle, Washington.

Copyright 2007, School of Business Administration, University of Washington

PHONE: (206) 543-4598  
 FAX: (206) 616-1894  
 E-MAIL: [jfqa@u.washington.edu](mailto:jfqa@u.washington.edu)  
 URL: <http://www.jfqa.org>

University of Washington  
 School of Business Administration  
 115 Lewis Box 353200  
 Seattle, WA 98195-3200 USA

VOL. 42, NO. 1, MARCH 2007

---

## 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 School of Business Administration.

For specific information concerning subscriptions, submissions, single-copy orders, missing issues, permission to reprint, or advertising, write, call, fax, or e-mail the JFQA office.

## 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. Send manuscripts via e-mail in PDF, Word, or LaTeX with a \$200 submission fee for subscribers (\$280 for non-subscribers) to the Managing Editors. 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

Subscriptions, which must be prepaid and renewed annually, start with the next available issue unless otherwise requested. Checks or money orders must be payable to the JFQA in U.S. dollars for deposit in a U.S. bank. VISA, MasterCard, and American Express are accepted. Use the subscription form at the back of this issue or print the form from the JFQA Web site. Upon request, electronic subscriptions are available in PDF files. Claims for missing issues must be made within six months of the date of publication.

Annual Subscription Fees:

Library or Firm	U.S. \$160
Outside U.S.A.	U.S. \$170
Individual	U.S. \$80
Outside U.S.A.	U.S. \$90
Student (with verification)	U.S. \$25
Outside U.S.A.	U.S. \$30
Airmail (additional)	U.S. \$40