UNIVERSITY OF WASHINGTON SCHOOL OF BUSINESS **ADMINISTRATION** 

VOL. 27, NO. 효

Market Manipulation, Bubbles, Corners, and Short Squeezes Robert A. Jarrow

Does Market Risk Really Explain the Size Effect? Narasimhan Jegadeesh

The International Crash of October 1987: Causality Tests A. G. Malliaris and Jorge L. Urrutia

Trading Rules and Excess Volatility George Bulkley and Ian Tonks

The Contrarian Investment Strategy Does Not Work in Canadian Markets

Lawrence Kryzanowski and Hao Zhang

Equity Issues with Time-Varying Asymmetric Information Robert A. Korajczyk, Deborah J. Lucas, and Robert L. McDonald

The Robustness of Risk-Return Nonlinearities to the Normality Assumption Carolyn Carroll, Paul D. Thistle, and K. C. John Wei

Implied Volatilities and Transaction Costs Steve Swidler and J. David Diltz

The Treasury Yield Curve as a Cointegrated System Michael G. Bradley and Stephen A. Lumpkin

The Specification and Power of the Sign Test in Event Study Hypothesis Tests Using Daily Stock Returns Charles J. Corrado and Terry L. Zivney



# JOURNAL OF FINANCIAL AND QUANTITATIVE ANALYSIS

A PUBLICATION OF THE UNIVERSITY OF WASHINGTON SCHOOL OF BUSINESS ADMINISTRATION

VOL. 27, NO. 3, SEPTEMBER 1992

Market Manipulation, Bubbles, Corners, and Short Squeezes
Does Market Risk Really Explain the Size Effect?
The International Crash of October 1987: Causality Tests
Trading Rules and Excess Volatility
The Contrarian Investment Strategy Does Not Work in Canadian Markets
Equity Issues with Time-Varying Asymmetric Information
The Robustness of Risk-Return Nonlinearities to the Normality Assumption
Implied Volatilities and Transaction Costs
The Treasury Yield Curve as a Cointegrated System
The Specification and Power of the Sign Test in Event Study Hypothesis Tests Using Daily Stock Returns

#### MANAGING EDITORS

Jonathan Karpoff Paul Malatesta

# ADVISORY EDITOR

Peter Frost

#### ASSOCIATE EDITORS

Gordon Alexander University of Minnesota

Paul Asquith

Massachusetts Institute of Technology

Stephen Brown New York University

Nai-Fu Chen

University of California, Irvine

Larry Dann

University of Oregon

Robert Geske

University of California, Los Angeles

Lawrence Harris

University of Southern California

Campbell Harvey Duke University

Robert Heinkel

University of British Columbia

Chi-Fu Huang Yale University

John Hull

University of Toronto

Robert Jarrow Cornell University Ronald Masulis

Vanderbilt University

John McConnell

Purdue University

Wayne Mikkelson University of Oregon

**Edward Rice** 

University of Washington

Eduardo Schwartz

University of California, Los Angeles

Lemma Senbet

University of Maryland, College Park

Hans Stoll

Vanderbilt University

Suresh Sundaresan Columbia University

Rex Thompson

Southern Methodist University

Sheridan Titman

University of California, Los Angeles

# **EDITORIAL STAFF**

Martha Auvil Editor

Linda Nelson Office Manager Gloria Young Editorial Associate

POSTMASTER: Send address changes to Journal of Financial and Quantitative Analysis, School of Business Administration, University of Washington, DJ-10, Seattle, Washington 98195.

Second class postage is paid at Seattle, Washington.

Copyright 1992, School of Business Administration, University of Washington.

Journal of Financial and Quantitative Analysis—ISSN 0022-1090.



#### JOURNAL OF FINANCIAL AND QUANTITATIVE ANALYSIS

SCHOOL OF BUSINESS ADMINISTRATION UNIVERSITY OF WASHINGTON, DJ-10 SEATTLE, WA 98195 U.S.A.

Phone: (206) 543-4598 Fax: (206) 543-6872

#### PURPOSE AND FOCUS

The Journal of Financial and Quantitative Analysis (**JFQA**) is published quarterly in March, June, September, and December by the School of Business Administration at the University of Washington in Seattle, Washington U.S.A.

The **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 School of Business Administration of the University of Washington.

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

# **SUBMISSIONS**

Manuscripts are to be sent in quadruplicate with a \$50 submission fee for subscribers (\$85 for nonsubscribers) to Professor Paul Malatesta, Managing Editor. To receive a style guide, write, call, or fax the **JFQA** office.

#### 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 and MasterCard are accepted. Claims for missing issues must be made within 6 months of the date of publication.

# Annual Subscription Fees:

Library or Firm Outside U.S.A.	U.S. \$75 U.S. \$80
Individual Outside U.S.A.	U.S. \$35 U.S. \$40
Student (with verification) Outside U.S.A.	U.S. \$20 U.S. \$25
Airmail (additional)	U.S. \$20