

# JFOQA

UNIVERSITY OF  
WASHINGTON  
SCHOOL OF  
BUSINESS  
ADMINISTRATION

VOL. 29, NO. 2  
JUNE 1994

Published online by Cambridge University Press

Investment Opportunities and the Market Reaction  
to Equity Offerings  
David J. Denis

Optimal Maturity Structure with Multiple Debt Claims  
Joel F. Houston and S. Venkataraman

Leverage Constraints and the Optimal Hedging of Stock  
and Bond Options  
Vasanttilak Naik and Raman Uppal

Securities Markets, Diffusion State Processes, and  
Arbitrage-Free Shadow Prices  
John Heaney and Geoffrey Poitras

Derivative Security Markets, Market Manipulation,  
and Option Pricing Theory  
Robert A. Jarrow

The Individual Investor and the Weekend Effect  
Abraham Abraham and David L. Ikenberry

On the Efficiency of Least Squares Regression with Security  
Abnormal Returns as the Dependent Variable  
Imre Karafiath

Immunization in Markets with Tax-Clientele Effects: Evidence  
from the Canadian Market  
Eliezer Z. Prisman and Yisong Tian

Investment Opportunities and the Market Reaction to Equity Offerings .....	159
David J. Denis	
Optimal Maturity Structure with Multiple Debt Claims .....	179
Joel F. Houston and S. Venkataraman	
Leverage Constraints and the Optimal Hedging of Stock and Bond Options .....	199
Vasantilak Naik and Raman Uppal	
Securities Markets, Diffusion State Processes, and Arbitrage-Free Shadow Prices .....	223
John Heaney and Geoffrey Poitras	
Derivative Security Markets, Market Manipulation, and Option Pricing Theory .....	241
Robert A. Jarrow	
The Individual Investor and the Weekend Effect .....	263
Abraham Abraham and David L. Ikenberry	
On the Efficiency of Least Squares Regression with Security Abnormal Returns as the Dependent Variable .....	279
Imre Karafiath	
Immunization in Markets with Tax-Clientele Effects: Evidence from the Canadian Market .....	301
Eliezer Z. Prisman and Yisong Tian	

## MANAGING EDITORS

Jonathan Karpoff

Paul Malatesta

## ASSOCIATE EDITORS

**Gordon Alexander**

University of Minnesota

**Paul Asquith**

Massachusetts Institute of Technology

**Michael Barclay**

University of Rochester

**Sanjai Bhagat**

University of Colorado

**Stephen Brown**

New York University

**Larry Dann**

University of Oregon

**Wayne Ferson**

University of Washington

**Sanford Grossman**

University of Pennsylvania

**Bruce Grundy**

University of Pennsylvania

**Lawrence Harris**

University of Southern California

**Campbell Harvey**

Duke University

**Robert Heinkel**

University of British Columbia

**John Hull**

University of Toronto

**Gregg Jarrell**

University of Rochester

**Robert Jarrow**

Cornell University

**Gautam Kaul**

University of Michigan

**Donald Keim**

University of Pennsylvania

**Robert Korajczyk**

Northwestern University

**Josef Lakonishok**

University of Illinois

**Francis Longstaff**

University of California, Los Angeles

**Ronald Masulis**

Vanderbilt University

**John McConnell**

Purdue University

**Robert McDonald**

Northwestern University

**Wayne Mikkelson**

University of Oregon

**Eduardo Schwartz**

University of California, Los Angeles

**Hans Stoll**

Vanderbilt University

**Rex Thompson**

Southern Methodist University

**Sheridan Titman**

University of California, Los Angeles

**Ralph Walking**

Ohio State University

**Alan White**

University of Toronto

## STAFF

**Martha Auvil**

Editor

**Susan Huot**

Office Manager

**Nicolette Roberge**

**Gloria Young**

Editorial Associates

---

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 1994, School of Business Administration, University of Washington.

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

## 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 at the University of Washington.

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.

Manuscripts are to be sent in quadruplicate with a \$100 submission fee for subscribers (\$140 for nonsubscribers) to Professor Paul Malatesta, Managing Editor. Checks must be payable to the JFQA in U.S. dollars for deposit in a U.S. bank. VISA and MasterCard are accepted. Style guides for preparing manuscripts can be found on one of the back pages of each JFQA issue.

## 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	U.S. \$85
Outside U.S.A.	U.S. \$90
Individual	U.S. \$40
Outside U.S.A.	U.S. \$45
Student (with verification)	U.S. \$25
Outside U.S.A.	U.S. \$30
Airmail (additional)	U.S. \$30