

# JFQA

## JOURNAL OF FINANCIAL AND QUANTITATIVE ANALYSIS

Why Do Firms Disagree with Short Sellers? Managerial Myopia versus Private Information

Leonce Bargeron and Alice Bonaime

Optimists and Pessimists in (In)Complete Markets

Nicole Branger, Patrick Konermann, and Christian Schlag

Managerial Entrenchment and Information Production

Chen Lin, Lai Wei, and Wensi Xie

Do Public and Private Firms Behave Differently? An Examination of Investment in the Chemical Industry

Albert Sheen

Order-Flow Segmentation, Liquidity, and Price Discovery:

The Role of Latency Delays

Michael Brolley and David A. Cimon

Anchoring on Historical High Prices and Seasoned Equity Offerings

Armen Hovakimian and Huajing Hu

Fire Sales and Impediments to Liquidity Provision in the Corporate Bond Market

Z. Jay Wang, Hanjiang Zhang, and Xinde Zhang

Information in Electricity Forward Prices

Richard A. Michelfelder and Eugene A. Pilotte

Investment Shocks and Asset Prices: An Investment-Based Approach

Lorenzo Garlappi and Zhongzhi Song

Improving Minimum-Variance Portfolios by Alleviating Overdispersion of Eigenvalues

Fangquan Shi, Lianjie Shu, Aijun Yang, and Fangyi He

On the Expected Earnings Hypothesis Explanation of the Aggregate Returns–Earnings Association Puzzle

Warren Bailey and Huiwen Lai

Editors:

**Hendrik Bessembinder**

**Jennifer Conrad**

**Mara Faccio**

**Jarrad Harford**

**Paul Malatesta**

Published by Cambridge University Press for the University of Washington Michael G. Foster School of Business in cooperation with the Arizona State University W.P. Carey School of Business, the Purdue University Krannert School of Management, and the University of North Carolina Kenan-Flagler Business School

VOL. 55, NO. 8 | December 2020



**CAMBRIDGE**  
UNIVERSITY PRESS



<b>Why Do Firms Disagree with Short Sellers? Managerial Myopia versus Private Information</b> .....	2431
Leonce Barger and Alice Bonaimé	
<b>Optimists and Pessimists in (In)Complete Markets</b> .....	2466
Nicole Branger, Patrick Konermann, and Christian Schlag	
<b>Managerial Entrenchment and Information Production</b> .....	2500
Chen Lin, Lai Wei, and Wensi Xie	
<b>Do Public and Private Firms Behave Differently? An Examination of Investment in the Chemical Industry</b> .....	2530
Albert Sheen	
<b>Order-Flow Segmentation, Liquidity, and Price Discovery: The Role of Latency Delays</b> .....	2555
Michael Brolley and David A. Cimon	
<b>Anchoring on Historical High Prices and Seasoned Equity Offerings</b> .....	2588
Armen Hovakimian and Huajing Hu	
<b>Fire Sales and Impediments to Liquidity Provision in the Corporate Bond Market</b> .....	2613
Z. Jay Wang, Hanjiang Zhang, and Xinde Zhang	
<b>Information in Electricity Forward Prices</b> .....	2641
Richard A. Michelfelder and Eugene A. Pilotte	
<b>Investment Shocks and Asset Prices: An Investment-Based Approach</b> .....	2665
Lorenzo Garlappi and Zhongzhi Song	
<b>Improving Minimum-Variance Portfolios by Alleviating Overdispersion of Eigenvalues</b> .....	2700
Fangquan Shi, Lianjie Shu, Aijun Yang, and Fangyi He	
<b>On the Expected Earnings Hypothesis Explanation of the Aggregate Returns–Earnings Association Puzzle</b> .....	2732
Warren Bailey and Huiwen Lai	

## MANAGING EDITORS

**Hendrik Bessembinder**  
Arizona State University

**Jennifer Conrad**  
University of  
North Carolina

**Mara Faccio**  
Purdue University

**Jarrad Harford**  
**Paul Malatesta**  
University of  
Washington

## ADVISORY EDITORS

**Stephen Brown**  
New York University

**Mark Grinblatt**  
University of California at Los Angeles

## ASSOCIATE EDITORS

**Warren Bailey**  
Cornell University

**Gurdip Bakshi**  
Temple University

**Turan Bali**  
Georgetown University

**Murillo Campello**  
Cornell University

**Riccardo Colacito**  
University of North Carolina  
at Chapel Hill

**Jeffrey Coles**  
University of Utah

**Ran Duchin**  
Boston College

**Vivian Fang**  
University of Minnesota

**Wayne Ferson**  
University of Southern  
California

**Todd Gormley**  
Washington University in  
St. Louis

**Allaudeen Hameed**  
National University of  
Singapore

**Marcin Kacperczyk**  
Imperial College London

**Jonathan Karpoff**  
University of Washington

**Kai Li**  
University of British Columbia

**Francis Longstaff**  
University of California at  
Los Angeles

**Ronald Masulis**  
University of New South  
Wales

**John McConnell**  
Purdue University

**Robert McDonald**  
Northwestern University

**R. David McLean**  
Georgetown University

**Darius Palia**  
Rutgers University

**Neil Pearson**  
University of Illinois at  
Urbana-Champaign

**George Pennacchi**  
University of Illinois at  
Urbana-Champaign

**Jeffrey Pontiff**  
Boston College

**Matthew Ringgenberg**  
University of Utah

**Jay Ritter**  
University of Florida

**Bryan Routledge**  
Carnegie Mellon University

**Paul Schultz**  
University of Notre Dame

**Chester Spatt**  
Carnegie Mellon University

**Kumar Venkataraman**  
Southern Methodist  
University

**Yuhai Xuan**  
University of California at  
Irvine

**David Yermack**  
New York University

**Lu Zhang**  
Ohio State University

**Guofu Zhou**  
Washington University  
in St. Louis

### PRODUCTION EDITOR

**Wendy Katz**  
University of Washington

**BUSINESS MANAGER**  
**Susan Huot**

The Journal of Financial and Quantitative Analysis (ISSN 0022-1090), Michael G. Foster School of Business, University of Washington, 810C Condon Hall, UW Box 353200, Seattle, WA 98195-3200, is published 8 times a year in February, March, May, June, August, September, November, and December by Cambridge University Press, One Liberty Plaza, 20th Floor, New York, NY 10006/Cambridge University Press, University Printing House, Shaftesbury Road, Cambridge CB2 8BS, UK for the University of Washington Michael G. Foster School of Business in cooperation with the W. P. Carey School of Business at Arizona State University, the Krannert School of Management at Purdue University, and the Kenan-Flagler Business School at University of North Carolina. 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, One Liberty Plaza, 20th Floor, New York, NY 10006, USA.

Copyright 2020, Michael G. Foster School of Business, University of Washington

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

University of Washington  
 Michael G. Foster School of Business  
 810C Condon Hall UW Box 353200  
 Seattle, WA 98195-3200 USA

VOL. 55, NO. 8, DECEMBER 2020

---

### 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 Michael G. 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, One Liberty Plaza, 20th Floor, New York, NY 10006, USA, [cambridge.org/jfqa](http://cambridge.org/jfqa)

### SUBMISSIONS

[www.editorialmanager.com/jfqa](http://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](http://www.editorialmanager.com/jfqa)). Payment is required at the time of submission. Please consult the journal website for current submission details. 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

[cambridge.org/jfqa](http://cambridge.org/jfqa)

For individuals or institutions interested in a single journal subscription in 2020, 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](mailto:journals_subscriptions@cambridge.org). Elsewhere in the world, subscription fees are payable in U.K. pounds sterling: [journals@cambridge.org](mailto:journals@cambridge.org)

#### 2020 Annual Subscription Fees

Volume 55: February, March, May, June, August, September, November, and December

Category	Access Type	Price
Organizational	Online & Print	\$829/£469
Organizational	Print only	\$844/£455
Organizational	Online only	\$639/£383
Individual	Online & Print	\$148/£82
Individual	Print only	\$125/£66
Individual	Online only	\$105/£60
Student	Print only	\$33/£23

### 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 [cambridge.org/us/information/rights/contacts/newyork.htm](http://cambridge.org/us/information/rights/contacts/newyork.htm); general enquiries from elsewhere should be addressed to the Cambridge office [cambridge.org/uk/information/rights/contacts/cambridge.htm](http://cambridge.org/uk/information/rights/contacts/cambridge.htm); permission enquiries from Australia and New Zealand should be addressed to the Melbourne office [cambridge.org/uk/information/rights/contacts/australia.htm](http://cambridge.org/uk/information/rights/contacts/australia.htm); enquiries regarding Spanish language translation rights (only) should be addressed to the Madrid office [cambridge.org/uk/information/rights/contacts/madrid.htm](http://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 copying; contact the nearest Cambridge University Press office.

