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W E S T E R N F I N A N C E

WFA

A S S O C I A T I O N

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**PROGRAM**

34th Annual Conference  
of the  
Western Finance Association

Loews Santa Monica Beach Hotel  
Santa Monica, California

June 20-23, 1999

## WESTERN FINANCE ASSOCIATION

...a professional society administered in the United States and Canada for academicians and practitioners with a scholarly interest in the development and application of theory in finance.

Its purposes are (1) to serve as a focal point for communication among members, (2) to improve teaching and scholarship, and (3) to provide for the dissemination of information, including the holding of meetings and the support of publications.

The Association is an international organization with membership open to individuals from both the academic and professional community, and to institutions. Membership includes subscriptions to any occasional and regular publications sponsored or co-sponsored by the Association. Two classes of membership are available: lifetime membership (\$100.00) and three year membership (\$30.00). Members of the Association are entitled to receive (a) notice of the annual meetings and a copy of the annual program, and (b) a reduction in the registration fee at the annual meetings.

Information on the Association and membership application is available on our web site (at <http://www.gsm.cornell.edu/wfa>).

Correspondence regarding membership and other business aspects of the Association should be addressed to:

Professor Stephen Brown  
Secretary-Treasurer, WFA  
Department of Finance  
New York University  
Stern School of Business  
44 West 4<sup>th</sup> Street, Suite 9-190  
New York, NY 10012-1126  
Email: [sbrown@stern.nyu.edu](mailto:sbrown@stern.nyu.edu)  
Telephone: (212) 998-0306

A call for papers and participants for the 1999 Conference of the Western Finance Association appears at the end of this program.

REGISTRATION AND HOTEL INFORMATION

All sessions and conference functions will be held at The Loews Santa Monica Beach Hotel. The Western Finance Association has reserved limited blocks of rooms for the conference at Loews Santa Monica Beach Hotel. Please contact the facility as soon as possible to make reservations. The special WFA rate at Loews Santa Monica Beach Hotel is \$180 a night. For reservations call: Loews Santa Monica Beach Hotel, Santa Monica: (310) 458-6700 or Loews Hotels: (800) LOEWS11.

On-site registration will be located in the Arcadia Foyer at Loews Santa Monica Beach Hotel beginning at 4:00pm, Sunday, June 20, 1999.

PRE-REGISTRATION

Pre-registration is being handled this year via our web site, which can be found at <http://www.gsm.cornell.edu/wfa>. Those who pre-register are entitled to a discount on registration fees, and students who pre-register can do so without charge. To qualify for these discounted rates you must pre-register before May 15. You will be billed for all charges at the Meetings, and you can pay this bill by a check in US funds payable through a US bank, or by Visa/Mastercard.

FEE SCHEDULE:

	Pre-Registration	On-site Registration
WFA member	\$50	\$85
Non-member	\$80	\$125
Student	no charge	\$30
Annual meeting, luncheon and featured speaker	\$40	\$40

ON-SITE REGISTRATION

- Sunday, June 20, 4:00-8:00 pm
- Monday, June 21, 8:00 am-4:00 pm
- Tuesday, June 22, 8:00 am-12 noon

Registration for the NASDAQ Breakfast and the New York Stock Exchange Luncheon will take place on-site in the meeting registration area.

SOCIETY FOR FINANCIAL STUDIES MEMBERSHIP MEETING

All members of the SFS are invited to attend the Annual Meeting to be held on Tuesday, June 22 from 4:45-5:30 pm in Catalina. All subscribers to the *Review of Financial Studies* are members of the SFS.

WESTERN FINANCE ASSOCIATION

Officers and Executive Committee - 1998-99

President	Franklin Allen, University of Pennsylvania
President-Elect	Richard C. Green, Carnegie Mellon University
Vice President	Wayne Ferson, University of Washington
Secretary-Treasurer	Stephen Brown, New York University
Past President	Maureen O'Hara, Cornell University
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	Sheridan Titman, University of Texas at Austin

Presidents of the Western Finance Association 1965-98

1965-66 Kenneth L. Trefftzs	University of Southern California
1966-67 Edward Reed	University of Oregon
1967-68 Robert Carr	Fresno State College
1968-69 Burton Kolb	University of Colorado
1969-70 Lester Stickler	Oregon State University
1970-71 Harold Stevenson	Arizona State University
1971-72 W. Scott Bauman	University of Oregon
1972-73 David Eiteman	UCLA
1973-74 James Wert	University of Arizona
1974-75 George Kaufman	University of Oregon
1975-76 John Herzog	Simon Fraser University
1976-77 A. Blaine Huntsman	University of Utah
1977-78 David Pyle	University of California at Berkeley
1978-79 Guilford Babcock	University of Southern California
1979-80 Donald Farrar	University of Utah
1980-81 Charles D'Ambrosio	University of Washington
1981-82 James Van Horne	Stanford University
1982-83 Edward Dyl	University of Wyoming
1983-84 Nils Hakansson	University of California at Berkeley
1984-85 Seha Tinic	University of Texas at Austin
1985-86 Alan Kraus	University of British Columbia
1986-87 Gerald Bierwag	University of Arizona
1987-88 Robert Litzenberger	University of Pennsylvania
1988-89 Alan Hess	University of Washington
1989-90 Lemma Senbet	University of Maryland

1990-91 Eduardo Schwartz	UCLA
1991-92 Stephen Brown	New York University
1992-93 Hans Stoll	Vanderbilt University
1993-94 Kenneth Singleton	Stanford University
1994-95 Milton Harris	University of Chicago
1995-96 Chester Spatt	Carnegie Mellon University
1996-97 Michael Brennan	UCLA
1997-98 Maureen O’Hara	Cornell University

**1999 PROGRAM COMMITTEE**

Yacine Ait-Sahalia, Princeton University  
Gurdip Bakshi, University of Maryland  
Suleyman Basak, University of Pennsylvania  
Geert Bekaert, Stanford University  
Jonathan Berk, University of California at Berkeley  
Anthony Bernardo, UCLA  
Hendrik Bessembinder, Arizona State University  
Sanjai Bhagat, University of Colorado  
Utpal Bhattacharya, Indiana University  
Sugato Bhattacharyya, University of Michigan  
Bruno Biais, Toulouse University  
Arnoud Boot, University of Amsterdam  
Peter Bossaerts, California Institute of Technology  
Jacob Boudoukh, New York University  
Phelim P. Boyle, University of Waterloo  
Henry Cao, University of California at Berkeley  
Jennifer Carpenter, New York University  
John Chalmers, University of Oregon  
Jonathan Carmel, University of Michigan  
David A. Chapman, University of Texas at Austin  
Thomas Chemmanur, Boston College  
Bhagwan Chowdhry, UCLA  
William Christie, Vanderbilt University  
Jeff Coles, Arizona State University  
Jennifer Conrad, University of North Carolina at Chapel Hill  
George Constantinides, University of Chicago  
Francesca Cornelli, London Business School  
Dominico Cuoco, University of Pennsylvania  
Robert Dammon, Carnegie Mellon University  
Kent Daniel, Northwestern University  
Peter DeMarzo, University of California at Berkeley  
David Denis, Purdue University  
Diane Denis, Purdue University  
Philip Dybvig, Washington University at Saint Louis  
Michael Fishman, Northwestern University

Zsuzsanna Fluck, New York University  
Thierry Foucault, HEC  
Paolo Fulghieri, INSEAD  
Tom George, University of Iowa  
Ron Giammarino, University of British Columbia  
William Goetzmann, Yale University  
Paul Gompers, Harvard University  
John Graham, Duke University  
Mark Grinblatt, UCLA  
Kathleen Weiss Hanley, University of Maryland  
Lawrence Harris, University of Southern California  
Milton Harris, University of Chicago  
Campbell Harvey, Duke University  
Joel Hasbrouck, New York University  
Rob Heinkel, University of British Columbia  
David Hirshleifer, University of Michigan  
Laurie Hodrick, Columbia University  
Robert Hodrick, Columbia University  
Craig Holden, Indiana University  
Burton Hollifield, Carnegie Mellon University  
Edie Hotchkiss, Boston College  
Pat Hughes, UCLA  
Eric Hughson, University of Utah  
Ronen Israel, University of Michigan  
Christopher James, University of Florida  
Narasimhan Jegadeesh, University of Illinois  
Kose John, New York University  
Charles Jones, Columbia University  
Philippe Jorion, University of California at Irvine  
Gautam Kaul, University of Michigan  
Naveen Khanna, Michigan State University  
Robert Korajczyk, Northwestern University  
Jennifer Koski, University of Washington  
Alan Kraus, University of British Columbia  
Chris Leach, University of Colorado  
Charles Lee, Cornell University  
Bruce Lehmann, University of California at San Diego  
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Francis Longstaff, UCLA  
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Jeffrey Pontiff, University of Washington  
Manju Puri, Stanford University  
Raghuram Rajan, University of Chicago  
Uday Rajan, Carnegie Mellon University  
Mark Ready, University of Wisconsin at Madison  
Matthew Richardson, New York University  
Bryan Routledge, Carnegie Mellon University  
Kristian Rydqvist, Norwegian School of Management  
Pedro Santa-Clara, UCLA  
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Piet Sercu, Catholic University of Leuven  
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Chris Telmer, Carnegie Mellon University  
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Peter Tufano, Harvard University  
Raman Uppal, University of British Columbia  
Dimitri Vayanos, MIT  
S.Viswanathan, Duke University

Jiang Wang, MIT  
Ingrid Werner, Ohio State University  
Robert Whitelaw, New York University  
Andrew Winton, Northwestern University  
Kent Womack, Dartmouth College  
Fernando Zapatero, University of Southern California  
Jamie Zender, University of Utah  
Goufu Zhou, Washington University at Saint Louis  
Stanley Zin, Carnegie Mellon University  
Luigi Zingales, University of Chicago

WESTERN FINANCE ASSOCIATION

Distinguished Speakers  
Western Finance Association Meetings  
1979-99

<u>Year</u>	<u>Location</u>	<u>Speaker</u>
1999	Santa Monica	Andrei Shleifer
1998	Monterey	Milton Harris
1997	San Diego	Richard Thaler
1996	Sunriver	Joseph Williams
1995	Aspen	Kenneth French
1994	Santa Fe	Mark Rubinstein
1993	Whistler	Alan Kraus
1992	San Francisco	Myron Scholes
1991	Jackson Lake	Fischer Black
1990	Santa Barbara	Michael Brennan
1989	Seattle	William Sharpe
1988	Napa	Sanford Grossman
1987	San Diego	Edward Kane
1986	Colorado Springs	Merton Miller
1985	Scottsdale	Robert Litzenberger
1984	Vancouver	Richard Roll
1983	Long Beach	Myron Scholes
1982	Portland	Stephen Ross
1981	Jackson Lake	Eugene Fama
1980	San Diego	Kenneth Arrow
1979	San Francisco	Nils Hakansson

1999 WFA PROGRAM SUMMARY

Sunday, June 20

4:00-8:00 pm  
**REGISTRATION** - Arcadia Foyer

5:30-7:30 pm  
**Oxford Press and MIT PRESS RECEPTION**  
Lower Pool Deck - (Arcadia AB if weather bad) Open to all attendees and guests

Monday, June 21

7:00-8:15 am  
**NASDAQ BREAKFAST** - Arcadia Foyer

8:00 am-4:00 pm  
**REGISTRATION** - Arcadia Foyer

8:30-10:15 am  
**Information in Option Prices** - Palisades AB  
**Term Structure -Empirical** - Palisades CD  
**IPO's** - Catalina  
**Bosses and Banks** - Arcadia D  
**Empirical Microstructure I** – Arcadia EF

10:15-10:30 am  
**COFFEE BREAK** - Arcadia Foyer

10:30 am-12:15 pm  
**Asset Pricing Theory I** - Palisades AB  
**Corporate Diversification** - Palisades CD  
**Changes in Expected Returns** - Catalina  
**Optimal Disclosures of Information** - Arcadia D  
**Performance of Professional Traders** – Arcadia EF

12:30-2:00 pm  
**NEW YORK STOCK EXCHANGE LUNCHEON**  
Lower Pool Deck - (Arcadia AB if weather bad)

2:15-4:30 pm  
**Options on Whatever** - Palisades AB  
**International Returns** - Palisades CD  
**Sentiment and Trading Behavior** - Catalina  
**Microstructure of Fixed Income Markets** - Arcadia D  
**The Structure of Financial Institutions** – Arcadia EF

Tuesday, June 22

4:45-6:15 pm  
**WFA Executive Committee and Board of Directors Meeting** – Palos Verdes

5:30-7:30 pm  
**CORNERSTONE RECEPTION**  
Lower Pool Deck - (Arcadia AB if weather bad) Open to all attendees and guests

8:00 am-12:00 noon  
**REGISTRATION** - Arcadia Foyer

8:30-10:15 am  
**Asset Pricing Theory II** - Palisades AB  
**Corporate Investment Policies** - Palisades CD  
**Motives for Trade** - Catalina  
**Dealer Indications, Quotes and Trades** - Arcadia D  
**Information in the Cross Section of Returns** – Arcadia EF

10:15-10:30 am  
**COFFEE BREAK** - Arcadia Foyer

10:30 am-12:15 pm  
**Volatility and Option Prices** - Palisades AB  
**International Corporate: Empirical** - Palisades CD  
**“Anomalies?”** - Catalina  
**Financial Services Contracts** - Arcadia D  
**Mutual Funds** – Arcadia EF

12:30-2:00 pm  
**WFA ANNUAL MEETING AND LUNCHEON**  
Arcadia AB - Distinguished Speaker: Andrei Shleifer, Harvard University

2:15-4:30 pm  
**Issuing and Retiring Securities** - Palisades AB  
**Volume and Returns** - Palisades CD  
**Portfolio Choice** - Catalina  
**International Capital Markets** - Arcadia D  
**Microstructure Theory** – Arcadia EF

Wednesday, June 23

4:45-5:30 pm  
**Society for Financial Studies Annual Meeting** - Catalina

5:30-7:30 pm  
**SFS/RFS RECEPTION**  
Lower Pool Deck - (Arcadia AB if weather bad) Open to all attendees and guests

8:30-10:15 am  
**Dynamic Portfolio Selection** - Palisades AB  
**Dividends** - Palisades CD  
**Risks in Global Markets** - Catalina  
**Corporate Control: Theory** - Arcadia D  
**Empirical Microstructure II** - Arcadia EF

10:15-10:30 am  
**COFFEE BREAK** - Arcadia Foyer

10:30 am-12:15 pm  
**American Option Valuation** - Palisades AB  
**Corporate Control: Empirical** - Palisades CD  
**Determinants of Expected Returns** - Catalina  
**Theoretical Corporate** - Arcadia D  
**Effects of Liquidity** - Arcadia EF

34<sup>th</sup> ANNUAL CONFERENCE  
WESTERN FINANCE ASSOCIATION  
SANTA MONICA, CALIFORNIA  
June 20-23, 1999

PRESIDENT: FRANKLIN ALLEN, UNIVERSITY OF PENNSYLVANIA

PRESIDENT-ELECT AND PROGRAM CHAIR:  
RICHARD C. GREEN, CARNEGIE MELLON UNIVERSITY

Sunday, June 20

4:00-8:00 pm      REGISTRATION - Arcadia Foyer  
5:30-7:30 pm      OXFORD AND MIT PRESS  
RECEPTION - Lower Pool Deck  
(Arcadia AB if weather is bad)  
Open to all attendees and guests

Monday, June 21

7:00-8:15 am      NASDAQ BREAKFAST – Arcadia Foyer

Monday, June 21

8:00 am-4:00 pm      REGISTRATION - Arcadia Foyer

Monday, June 21      8:30-10:15 AM

INFORMATION IN OPTION PRICES – Palisades AB

Andrew Lo, Massachusetts Institute of Technology

Option Prices, Implied Price Processes, and Stochastic Volatility – Mark Britten-  
Jones and Anthony Neuberger, London Business School

Credit Risk and Risk Neutral Default Probabilities: Information About Rating  
Migrations and Default – Gordon Delianedis and Robert Geske, UCLA

What Data Should Be Used To Price Options? - Mikhail Chernov and Eric Ghysels,  
The Pennsylvania State University

Discussants:

Harry Mamaysky, Massachusetts Institute of Technology  
Ming Huang, Stanford University  
Peter Muller, Morgan Stanley

TERM STRUCTURE-EMPRICAL – Palisades CD

David Hsieh, Duke University

An Empirical Examination of the Convexity Bias in the Pricing of Interest Rate  
Swaps – Anurag Gupta and Marti G. Subrahmanyam, New York University

How Well Do Forward Repo Spreads Price Future Specialness? – Andrea  
Buraschi and Davide Menini, London Business School

Local Time in the Econometrics of Continuous-Time Finance: an Application to  
the Short Term Interest Rate Dynamics – Federico Maria Bandi, Yale  
University

Discussants:

Peter Kyle, Duke University  
Ravi Bansal, Duke University  
Heber Farnsworth, Washington University in St. Louis

IPO’s – Catalina

Kathleen Hanley, University of Maryland

The Seven Percent Solution – Hsuan-Chi Chen and Jay R. Ritter, University of  
Florida

Bookbuilding and Strategic Allocation – Francesca Cornelli and David Goldreich,  
London Business School

How Does Underwriter Price Support Affect IPO’s? Empirical Evidence – N. R.  
Prabhala, Yale University and Manju Puri, Stanford University

Discussants:

Craig Dunbar, University of Western Ontario  
Alexander Ljungqvist, Oxford University  
Kent Womack, Dartmouth College



**BOSSSES AND BANKS – Arcadia D**

Craig Lewis, Vanderbilt University

**CEO Compensation and Bank Mergers** – Richard T. Bliss, Babson College and Richard J. Rosen, Indiana University

**Voting with their Feet: Institutional Investors and CEO Turnover** – Robert Parrino, University of Texas at Austin, Richard W. Sias, Washington State University and Laura T. Starks, University of Texas at Austin

**The Effects of Banking Mergers on Loan Contracts** – Paola Sapienza, Northwestern University

Discussants:  
Gordon Hanka, University of Texas at Austin  
Kenneth Lenn, University of Pittsburgh  
Gary Gorton, The University of Pennsylvania

**EMPIRICAL MICROSTRUCTURE – Arcadia EF**

Ananth Madhavan, University of Southern California

**Liquidity in the Future Pits: Inferring Market Dynamics from Incomplete Data** – Joel Hasbrouck, New York University

**Stock and Flow Information as Inputs to Limit Order Book Trading Activity** – Mark Coppejans, Duke University and Ian Domowitz, Pennsylvania State University

**What is the Spread without Rounding? A Monte Carlo Markov Chain Approach** – Clifford A. Ball and Tarun Chordia, Vanderbilt University

Discussants:  
Lawrence Harris, University of Southern California  
Burton Hollifield, Carnegie Mellon University  
Venkatesh Panchapagensan, Washington University, St. Louis

**COFFEE BREAK** - 10:15-10:30 am - Arcadia Foyer

**Monday, June 21 10:30-12:15 PM**

**ASSET PRICING THEORY I – Palisades AB**

Burton Hollifield, Carnegie Mellon University

**Regime Shifts and Bond Returns** – Jacob Boudoukh, Matthew Richardson, New York University, Tom Smith, University of New South Wales, Robert F. Whitelaw, New York University

**The Term Structure with Credible and Semi-credible Targeting** – Heber Farnsworth, Washington University in St. Louis and Richard Bass, University of Connecticut

**Value-at-Risk Based Risk Management: Optimal Policies and Asset Prices** – Suleyman Basak, University of Pennsylvania and Alex Shapiro, New York University

Discussants:  
Murray Carlson, University of Texas at Austin  
Pierre Collin-Dufresne, Carnegie Mellon University  
Tan Wang, University of British Columbia

**CHANGES IN EXPECTED RETURNS – Catalina**

David Chapman, University of Texas at Austin

**The Equity Premium and Structural Breaks** – Lubos Pastor and Robert F. Stambaugh, University of Pennsylvania

**How Much Do Expected Stock Returns Move Over Time? Answers from the Options Market** – Wayne E. Ferson, University of Washington, Andrea Heuson and Tie Su, University of Miami

**Stock Prices, Expected Returns and Inflation** – Steven A. Sharpe, Federal Reserve Board

Discussants:  
Kent Daniel, Northwestern University  
Neil Pearson, University of Illinois at Urbana-Champaign  
Rossen Valkanov, Princeton University

CORPORATE DIVERSIFICATION – Palisades CD

Espen Eckbo, Dartmouth College

**Is It Inefficient Investment that Causes the Diversification Discount?** – Toni M. Whited, University of Delaware

**Corporate Structure and Equity Offerings: Are There Benefits to Diversification?** – Charles Hadlock, Michigan State University, Michael Ryngaert and Shawn Thomas, University of Florida

**Explaining the Diversification Discount** – Jose Manuel Campa, New York University and Simi Kedia, Harvard University

Discussants:

David Denis, Purdue University  
Ronald Masulis, Vanderbilt University  
Vojislav Maksimovic, University of Maryland

OPTIMAL DISCLOSURES OF INFORMATION – Arcadia D

Ronen Israel, University of Michigan

**Corporate Disclosures: Strategic Donation of Information** – Jhinyoung Shin, The Hong Kong University of Science and Technology and Rajdeep Singh, University of Michigan

**Insider Trading and Corporate Governance** – Ernst Maug, Duke University

**Public Disclosure of Insider Trades, Trading Costs, and Price Discovery** – Steven Huddart, Jack Hughes and Carolyn Levine, Duke University

Discussants:

Marc Lars Lipson, NYSE and University of Georgia  
Efrat Tolkowsky, Tel Aviv University  
Sugato Bhattacharyya, University of Michigan

PERFORMANCE OF PROFESSIONAL TRADERS – Arcadia EF

Bhagwan Chowdhry, UCLA

**Do Professional Traders Exhibit Loss Realization Aversion?** – Peter R. Locke, U.S. Commodity Futures Trading Commission and Steven C. Mann, Texas Christian University

**The Performance of Professional Market Timers: Daily Evidence from Executed Strategies** - Don M. Chance, Virginia Tech and Michael L. Hemler, University of Notre Dame

**Monthly Measurement of Daily Timers** – William N. Goetzmann, Jonathan Ingersoll, Jr. and Zoran Ivkovic, Yale University

Discussants:

Terrance Odean, University of California at Davis  
Andrew Metrick, Harvard University  
Mark Grinblatt, UCLA

**NEW YORK STOCK EXCHANGE LUNCHEON** 12:30-2:00 pm  
Lower Pool Deck - (Arcadia AB if weather bad)

*Monday, June 21 2:15-4:30 PM*

OPTIONS ON WHATEVER – Palisades AB

Alex Triantis, University of Maryland

**Valuation of Commodity-Based “Swing” Options** – Patrick Jaillet, Ehud I. Ronn and Stathis Tompaidis, University of Texas at Austin

**When are real options exercised? An empirical study of mine closings** –Alberto Moel and Peter Tufano, Harvard Business School

**Major League Baseball Player Contracts: An Investigation of the Empirical Properties of Real Options** – Matthew Clayton and David Yermack, New York University

**Exhaustible Resource Mining is the Exercise of a Call Option: An Equilibrium Approach** – Scott A. Hoover and Frederic P. Sterbenz, University of Wyoming

Discussants:

James Hodder, University of Wisconsin  
Gordon Phillips, University of Maryland  
Kenneth Lehn, University of Pittsburgh  
Steven Grenadier, Stanford University

INTERNATIONAL RETURNS – Palisades CD

Ravi Jagannathan, Northwestern University

**The Forward Premium Puzzle: Different Tales from Developed and Emerging Economies** – Ravi Bansal and Magnus Dahlquist, Duke University

**Mean Reversion across National Stock Markets and Parametric Contrarian Investment Strategies** – Ronald Balvers, West Virginia University, Yangru Wu, Rutgers University and Erik Gilliland, West Virginia University

**Can Book-to-Market, Size and Momentum Be Risk Factors That Predict Economic Growth?** – Jimmy Liew, Morgan Stanley and Maria Vassalou, Columbia University

**Valuation Ratios and Dynamic Asset Pricing: Some International Evidence** - Robert J. Hodrick, David Tat-Chee Ng and Paul Sengmueller, Columbia University

Discussants:

Pierluigi Balduzzi, Boston College  
Chunsheng Zhou, University of California at Riverside  
Leonid Kogan, Massachusetts Institute of Technology  
Luis Viceira, Harvard Business School

MICROSTRUCTURE OF FIXED INCOME MARKETS – Arcadia D

Matthew Spiegel, University of California at Berkeley

**News Releases, Private Information, and Intraday Price Movements in the U.S. Treasury Market** – T. Clifton Green, New York University

**The Informational Efficiency of the Corporate Bond Market: An Intraday Analysis** – Edith S. Hotchkiss, Boston College and Tavy Ronen, Rutgers University

**Liquidity in U.S. Fixed Income Markets: Comparative Evidence from Transactions in Corporate, Government and Municipal Bond Markets** – Sugato Chakravarty, Purdue University and Asani Sarkar, Federal Reserve Bank of New York

**Corporate Bond Trading Costs and Practices: A Peek Behind the Curtain** – Paul Schultz, University of Notre Dame

Discussants:

David Kuipers, University of Houston  
Greg Duffee, Federal Reserve Board  
Robert Whitelaw, New York University  
Arthur Warga, University of Houston

THE STRUCTURE OF FINANCIAL INSTITUTIONS – Arcadia EF

Neal Stoughton, University of California at Irvine

**Private versus Public Offerings: Optimal Selling Mechanisms with Adverse Selection** – Vojislav Maksimovic, University of Maryland and Pegaret Pichler, Boston College

**An Optimal IPO Mechanism** – Bruno Biais, Toulouse University, Peter Bossaerts, CALTECH and Jean-Charles Rochet, Toulouse University

**Privatization with Political Constraints** – Zsuzsanna Fluck, Kose John, New York University and S. Abraham Ravid, Rutgers University

**Emerging Markets Crises: An Asset Markets Perspective** – Ricardo J. Caballero, Massachusetts Institute of Technology and Arvind Krishnamurthy, Northwestern University

Discussants:

Kit Pong Wong, Hong Kong University  
Dmitry Lukin, University of California at Irvine  
Paolo Fulghieri, INSEAD  
Bhagwan Chowdhry, UCLA

SENTIMENT AND TRADING BEHAVIOR – Catalina

Michael Brennan, UCLA

**Is Sound Just Noise?** – Joshua D. Coval and Tyler Shumway, University of Michigan

**Investor Overconfidence, Covariance Risk, and Predictors of Securities Returns** – Kent Daniel, Northwestern University, David Hirshleifer, University of Michigan and Avanidhar Subrahmanyam, UCLA

**Investor Sentiment and the Stock Market** – Gregory W. Brown and Michael T. Cliff, University of North Carolina at Chapel Hill

**Irrational Trading in a Financial Market** – Ben Jacobsen, University of Amsterdam

Discussants:

Ananth Madhavan, University of Southern California  
Simon Gervais, University of Pennsylvania  
Bhaskaran Swaminathan, Cornell University  
Rosemary Luo, Rutgers University

20	Monday 2:15-4:30	Tuesday 8:30-10:15	21
	4:45-6:15 pm WFA Executive Committee and Board of Directors Meeting – Palos Verdes	THE CROSS SECTION OF RETURNS – Arcadia EF Bruce Lehmann, University of California at San Diego	
	5:30-7:30 pm CORNERSTONE RECEPTION Lower Pool Deck - (Arcadia AB if weather bad) Open to all attendees and guests	Nonlinear Pricing Kernels, Kurtosis Preference, and Evidence from the Cross-Section of Equity Returns – Robert R. Dittmar, University of North Carolina at Chapel Hill	
		The Theoretical Implications of Asymmetric Information on The Dynamic and Cross-Sectional Characteristics of Asset Returns – Charles M. Jones, Columbia University and Steve L. Slezak, University of North Carolina at Chapel Hill	
		Understanding the Nature of the Risks and the Source of the Rewards to Momentum Investing – Bruce D. Grundy, University of Pennsylvania and J. Spencer Martin, The Ohio State University	
		Discussants: George Tauchen, Duke University Jiang Wang, Massachusetts Institute of Technology Christopher K. Polk, Northwestern University	
		CORPORATE INVESTMENT POLICIES – Palisades CD Lemma Senbet, University of Maryland	
		Managing Financial Policy Evidence from the Financing of Extraordinary Investments – Erik Stafford, University of Chicago	
		Real Flexibility and Financial Structure: An Empirical Analysis – Peter MacKay, Southern Methodist University	
		The Substitutability of Foreign and Domestic Capital: Evidence from TRA – Mihir A. Desai, Harvard Business School	
		Discussants: Robert McDonald, Northwestern University Robert Hauswald, Indiana University Craig Lewis, Vanderbilt University	

**MOTIVES FOR TRADE** – Catalina  
Jeffrey Pontiff, University of Washington

**Investor Behavior and Asset Allocation** – Mary M. Bange, University of Oregon

**What Makes Investors Trade?** – Mark Grinblatt, UCLA and Matti Keloharju,  
Helsinki School of Economics and Business Administration

**Boys Will be Boys: Gender, Overconfidence, and Common Stock Investment** -  
Brad M. Barber and Terrance Odean, University of California at Davis

Discussants:  
Tyrone Callahan, UCLA  
Michael Schill, University of California at Riverside  
Diane DelGuercio, University of Oregon

**DEALER INDICATIONS, QUOTES AND TRADES** – Arcadia D  
Lawrence Harris, University of Southern California

**Price Discovery without Trading: Evidence from the NASDAQ Pre-opening** –  
Charles Cao, Eric Ghysels and Frank Hatheway, Pennsylvania State University

**The Quotation Behavior of ECNs and NASDAQ Market Makers** – Yusif Simaan,  
Fordham University, Daniel G. Weaver, Baruch College and David K.  
Whitcomb, Rutgers University

**Adverse Selection, Anonymity and Interdealer Trade Type** – Peter C. Reiss,  
Stanford University and Ingrid M. Werner, Ohio State University

Discussants:  
Chester S. Spatt, Carnegie Mellon University  
Robert Battalio, Georgia State University  
Joel Hasbrouck, New York University

**COFFEE BREAK** - 10:15-10:30 am - Arcadia Foyer

**Tuesday, June 22 10:30 AM-12:15 PM**

**VOLATILITY AND OPTION PRICES** – Palisades AB  
Vasant Naik, Lehman Brothers

**Implied Volatility: Evidence From Options on Individual Equities** – Patrick  
Dennis, University of Virginia and Stewart Mayhew, Purdue University

**Is Volatility Risk Priced in the Option Market? Deterministic vs. Stochastic  
Models** – Andrea Buraschi and Jens Jackwerth, London Business School

**A Solution to Real Options Problems Under General Specifications for the  
Stochastic Process** – Ramzi Zein, Yale University

Discussants:  
Qiang Dai, New York University  
George Chacko, Harvard Business School  
Luca Benzoni, Northwestern University

**“ANOMALIES?”** – Catalina  
Jonathan Berk, University of California at Berkeley

**Dangers of Data-Driven Inference: The Case of Calendar Effects in Stock  
Returns** – Ryan Sullivan, Allan Timmermann, and Halbert White, University  
of California at San Diego

**Value Versus Glamour** – Jennifer Conrad, University of North Carolina at Chapel  
Hill, Michael Cooper, Purdue University and Gautam Kaul, University of  
Michigan

**Equilibrium ‘Anomalies’** – Michael F. Ferguson and Richard L. Shockley, Indiana  
University

Discussants:  
Andrew Lo, Massachusetts Institute of Technology  
Tobias Moskowitz, University of Chicago  
Richard Stanton, University of California at Berkeley

**INTERNATIONAL CORPORATE: EMPIRICAL – Palisades CD**

Kathryn Dewenter, University of Washington

**The Information and Monitoring Role of Capital Markets: Theory and International Evidence** – Solomon Tadesse, Pennsylvania State University

**Japan’s Corporate Returns on Value and Cost: A Comprehensive Look** – Xueping Wu, City University of Hong Kong, Piet Sercu, Catholic University of Leuven and Charles J.P. Chen, City University of Hong Kong

**Information Sharing in Credit Markets: International Evidence** – Tullio Jappelli and Marco Pagano, Università de Salerno

Discussants:  
Vincent Warther, University of Michigan  
Amar Gande, Vanderbilt University  
Darius Miller, Texas A&M University

**FINANCIAL SERVICES CONTRACTS – Arcadia D**

Rob Heinkel, University of British Columbia

**Fee Speech: Adverse Selection and the Regulation of Mutual Fund Fees** – Sanjiv Ranjan Das, Harvard Business School and Rangarajan K. Sundaram, New York University

**The Enforcement Policy of a Self-Regulatory Organization** – Peter M. DeMarzo, University of California at Berkeley, Michael J. Fishman and Kathleen M. Hagerty, Northwestern University

**Trading on Short-Term Information** – Alexander Gümbel, European University Institute

Discussants:  
Steven Huddart, Duke University  
Gerald Garvey, University of British Columbia  
Craig W. Holden, Indiana University

**MUTUAL FUNDS – Arcadia EF**

Eric Sirri, Securities and Exchange Commission

**Causes and Consequences of Mutual Fund Mergers** – Narayanan Jayaraman, Ajay Khorana and Edward Nelling, Georgia Institute of Technology

**Demand Curves and the Pricing of Money Management** – Susan Christoffersen, McGill University and David Musto, University of Pennsylvania

**Evaluating Mutual Fund Managers by the Operational Efficiency of their Trades** – John M.R. Chalmers, University of Oregon, Roger M. Edelen, University of Pennsylvania and Gregory B. Kadlec, Virginia Tech

Discussants:  
John Rea, Investment Company Institute  
Carl Ackermann, University of Notre Dame  
Vincent Warther, University of Michigan

**WFA ANNUAL MEETING AND LUNCHEON** 12:30-2:00 pm  
Arcadia AB - Distinguished Speaker: Andrei Shleifer, Harvard University

**Tuesday, June 22 2:15-4:30 PM**

**PORTFOLIO CHOICE – Catalina**  
Suresh Sundaresan, Columbia University

**Heterogeneity and Proprietary Income Risk: Implications for Stock Market Participation and Asset Prices** – Valery Polkovnichenko, Northwestern University

**International Asset Allocation with Time-Varying Correlations** – Andrew Ang and Geert Bekaert, Stanford University

**Optimal Consumption and Investment with Capital Gains Taxes** – Robert M. Dammon, Chester S. Spatt and Harold H. Zhang, Carnegie Mellon University

**Who Should Buy Long-Term Bonds?** – John Y. Campbell and Luis M. Viceira, Harvard University

Discussants:  
Pietro Veronesi, University of Chicago  
Raman Uppal, Massachusetts Institute of Technology  
Anthony Lynch, New York University  
Qiang Dai, New York University

VOLUME AND RETURNS – Palisades CD

Jiang Wang, Massachusetts Institute of Technology

**The Informational Role of Stock and Option Volume** – Kalok Chan, Y. Peter Chung and Wai-Ming Fong

**The High Volume Return Premium** – Simon Gervais, Ron Kaniel and Dan Mingelgrin, University of Pennsylvania

**Price Momentum and Trading Volume** – Charles M. C. Lee and Bhaskaran Swaminathan, Cornell University

**Informed Trading in the Options Market** – Charles Cao, Pennsylvania State University, Zhiwu Chen, Ohio State University and John M. Griffin, Arizona State University

Discussants:

- Antonio Bernardo, UCLA
- Gideon Saar, Cornell University
- Michael Brandt, University of Pennsylvania
- Dimitri Vayanos, Massachusetts Institute of Technology

ISSUING AND RETIRING SECURITIES – Palisades AB

Laurie Hodrick, Columbia University

**When the Underwriter is the Market Maker: An Examination of Trading in the IPO Aftermarket** – Katrina Ellis, Roni Michaely and Maureen O’Hara, Cornell University

**Are Analysts Overoptimistic Around Seasoned Equity Offerings?** – Robert S. Hansen, Virginia Tech and Atulya Sarin, Santa Clara University

**On the Timing and Execution of Open Market Repurchases** – Douglas O. Cook, University of Mississippi, Laurie Krigman, University of Arizona and J. Chris Leach, University of Colorado

**IPO Selling Procedures and the Control of IPO Underpricing in Various Market Conditions: Evidence from the French IPO Market** – Francois Derrien, HEC and Kent L. Womack, Dartmouth College

Discussants:

- Elizabeth Odders-White, University of Wisconsin-Madison
- Matthew Clayton, New York University
- David Ikenberry, Rice University
- Paolo Fulghieri, INSEAD

INTERNATIONAL CAPITAL MARKETS – Arcadia D

Alan Kraus, University of British Columbia

**Capital Market Development, Legal Systems and the Value of Corporate Diversification: A Cross-Country Analysis** – Larry Fauver, Joel Houston and Andy Naranjo, University of Florida

**Default Correlation and Systemic Risk In Economies with Private Information** – Adriano A. Rampini, Northwestern University

**Dividend Tax Credits, the Ex-Day, and Cross-Border Tax Arbitrage: The Case of Germany** – Robert L. McDonald, Northwestern University

**On the Possibility of Ponzi Schemes in Transition Economies** – Utpal Bhattacharya, Indiana University

Discussants:

- Alex Stomper, University of Vienna
- Andy Winton, University of Minnesota
- Josef Zechner, University of Vienna
- Bryan Routledge, Carnegie Mellon University

MICROSTRUCTURE THEORY – Arcadia EF

Eric Hughson, University of Utah

**Imperfect Market Monitoring and SOES Trading** – Thierry Foucault, HEC, Ailsa Röell, Princeton University and Patrik Sandås, University of Pennsylvania

**Why is Inter-Dealer Trading so Pervasive in Financial Markets?** – S. Viswanathan and James J.D. Wang, Duke University

**Competition in Financial Dealership Markets** – Ilan Kremer and Valery Polkovnichenko, Northwestern University

**Inventory Information** – H. Henry Cao and Richard K. Lyons, University of California at Berkeley

Discussants:

- Ingrid Werner, Ohio State University
- Dan Bernhardt, University of Illinois
- Christine Parlour, Carnegie Mellon University
- Bruno Biais, Toulouse University

4:45-5:30 pm  
Society for Financial Studies Annual Meeting - Catalina

5:30-7:30 pm  
SFS/RFS RECEPTION  
Lower Pool Deck - (Arcadia AB if weather bad) Open to all attendees and guests

Wednesday, June 23 8:30-10:15 AM

DYNAMIC PORTFOLIO SELECTION – Palisades AB  
Raman Uppal, Massachusetts Institute of Technology

Nonlinear Taxation, Tax Arbitrage and Equilibrium Asset Prices – Suleyman Basak and Benjamin Croitoru, University of Pennsylvania

A Martingale Characterization of Consumption Choices and Hedging Costs with Margin Requirements – Domenico Cuoco, University of Pennsylvania and Hong Liu, Washington University in St. Louis

Common Factors and Local Factors: Implications for Term Structures and Exchange Rates – Dong-Hyun Ahn, University of North Carolina at Chapel Hill

Discussants:  
Mark Schroder, Michigan State University  
Vasant Naik, Lehman Brothers  
Kaushik Amin, Lehman Brothers

RISKS IN GLOBAL MARKETS – Catalina  
Campbell Harvey, Duke University

A Rational Expectations Model of Financial Contagion – Laura E. Kodres, International Monetary Fund and Matthew Pritsker, Board of Governors of the Federal Reserve

International Equity Market Comovements: Economic Fundamentals or Contagion? – Robert A. Connolly, University of North Carolina at Chapel Hill and F. Albert Wang, Rice University

The Long-Term Risks of Global Stock Markets – Philippe Jorion, University of California at Irvine

Discussants:  
Bernard Dumas, HEC School of Management  
Angela Ng, Hong Kong University of Science and Technology  
Francis X. Diebold, University of Pennsylvania

DIVIDENDS – Palisades CD  
Ronald Masulis, Vanderbilt University

Dividend Changes As a Sign of Firm Maturity – Gustavo Grullon, Rice University, Roni Michaely, Cornell University and Tel Aviv University and Bhaskaran Swaminathan, Cornell University

Do Dividend Forecasts Matter? – Upinder S. Dhillon, Binghamton University, Kartik Raman, Wayne State University and Gabriel G. Ramirez, Virginia Commonwealth University

Disentangling the Dividend Information in Splits: A Decomposition Using Conditional Event-Study Methods – Subhankar Nayak and N. R. Prabhala, Yale University

Discussants:  
Doug Skinner, University of Michigan  
Felicia Marston, University of Virginia  
Rex Thompson, Southern Methodist University



**CORPORATE CONTROL: THEORY** – Arcadia D

Jaime Zender, Cornell University

**Blockholder Identity, Equity Ownership Structures, and Hostile Takeovers** – Gary Gorton, University of Pennsylvania and Matthias Kahl, UCLA

**Mergers, Employee Hold-Up and the Scope of the Firm: An Intrafirm Bargaining Approach to Mergers** – Lars Stole, University of Chicago and Jeffrey Zwiebel, Stanford University

**Barbarians in Chains: Takeover Regulation and Minority Shareholder Wealth** – Ulrike Hoffmann-Burchardi, London School of Economics

Discussants:  
John Persons, Ohio State University  
Andy Winton, University of Minnesota  
Michael J. Fishman, Northwestern University

**EMPIRICAL MICROSTRUCTURE II** – Arcadia EF

Hank Bessembinder, Arizona State University

**Order Aggressiveness, Price Impact and Adverse Selection: Evidence from Order Flow Data** – Mark D. Griffiths, The American Graduate School of International Management, Brian F. Smith, Wilfrid Laurier University, S. Alasdair D. Turnbull, Memorial University of Newfoundland and Robert W. White, The University of Western Ontario

**The Economic Value of the Amex Trading Floor** – Puneet Handa, University of Iowa, Robert Schwartz, Baruch College and Ashish Tiwari, University of Iowa

**Eighths, Sixteenths and Market Depth: Changes in Tick Size and Liquidity Provision on the NYSE** – Michael A. Goldstein, University of Colorado at Boulder and Kenneth A. Kavajecz, University of Pennsylvania

Discussants:  
George Sofianos, NYSE  
Bill Christie, Vanderbilt University  
Robert Jennings, Indiana University

**COFFEE BREAK** - 10:15-10:30 am - Arcadia Foyer

**Wednesday, June 23 10:30 AM-12:15 PM**

**AMERICAN OPTION VALUATION** – Palisades AB

Walter Torous, UCLA

**The American Put Option and Its Critical Stock Price** – David S. Bunch, University of California at Davis and Herb Johnson, University of California at Riverside

**Valuing American Options by Simulation: A Simple Least-Squares Approach** – Francis A. Longstaff and Eduardo S. Schwartz, UCLA

**Monte Carlo Valuation of American Options Through Computation of the Optimal Exercise Frontier** – Alfredo Ibañez, ITAM and Fernando Zapatero, University of Southern California

Discussants:  
Robert Geske, UCLA  
Mark Britten-Jones, London Business School  
Pedro Santa-Clara, UCLA

**Determinants of Expected Returns** – Catalina

Sheridan Titman, University of Texas at Austin

**Bad News Travels Slowly: Size, Analyst Coverage and the Profitability of Momentum Strategies** – Harrison Hong, Stanford University, Terence Lim, Dartmouth College and Jeremy C. Stein, Massachusetts Institute of Technology

**Does Book-to-Market Equity Proxy for Distress Risk?** – John M. Griffin and Michael L. Lemmon, Arizona State University

**The Market as a Hedge** – Christopher K. Polk, Northwestern University

Discussants:  
Kent Daniel, Northwestern University  
Russ Wermers, University of Colorado  
Kenneth French, Massachusetts Institute of Technology

**CORPORATE CONTROL: EMPIRICAL** – Palisades CD

Mitchell Petersen, Northwestern University

**Spin-offs, Diversity and the Conglomerate Discount** – Timothy R. Burch,  
University of Miami Business School and Vikram Nanda, University of Michigan

**Do Takeovers Create Value? Evidence from 1962-1997** – Sanjai Bhagat,  
University of Colorado, David Hirshleifer, University of Michigan and Robert Noah, Milken Institute

**Diversification and Efficiency of Investment By East Asian Corporations** – Stijn Claessens and Simeon Djankov, World Bank, Joseph P.H. Fan, Hong Kong University of Science and Technology and Larry H.P. Lang, University of Chicago

Discussants:

Todd Pulvino, Northwestern University  
Stuart Gilson, Harvard University  
Gregor Andrade, University of Chicago

**Theoretical Corporate** – Arcadia D

Ronald Giammarino, University of British Columbia

**A Theory of the Syndicate: Form Follows Function** – Pegaret Pichler and William Wilhelm, Boston College

**The Impact of Debt Financing on Entry and Exit in a Duopoly** – Bart M. Lambrecht, University of Cambridge

**Corporate Reorganizations and Non-Cash Auctions** – Matthew Rhodes-Kropf, Columbia University and S. Viswanathan, Duke University

Discussants:

Nathalie Moyen, University of Colorado  
Denis Gromb, Massachusetts Institute of Technology  
Francesca Cornelli, London Business school

**EFFECTS OF LIQUIDITY** – Arcadia EF

Jennifer Lynch Koski, University of Washington

**Demand Curves for Stocks *Do* Slope Down: New Evidence From An Index Weights Readjustment** – Aditya Kaul, Vikas Mehrotra and Randall Morck, University of Alberta

**International Listing and Visibility: Limit Order Driven versus Quote Driven Markets** – H. Kent Baker, The American University, John R. Nofsinger, Marquette University and Daniel G. Weaver, Baruch College

**Do Concentrated Trading Equilibria Exist? The Migration of Informed Trading Following Index Addition** – Jarrad Harford, University of Oregon and Aditya Kaul, University of Alberta

Discussants:

Marc Lars Lipson, NYSE and University of Georgia  
Michael Melvin, Arizona State University  
Elizabeth Odders-White, University of Wisconsin-Madison

Call for Papers and Participants  
2000 ANNUAL MEETINGS OF  
THE WESTERN FINANCE ASSOCIATION  
June 21 – 24, 2000  
Sun Valley Resort  
Sun Valley, Idaho

Members and friends of the Western Finance Association are invited to submit papers to be considered for presentation at the 2000 Annual Meetings. Papers on any topic related to financial economics will be considered.

Submission of Papers:

Send **four (4)** copies of your paper to the 1999 Program Chair no later than **November 15, 1999**. Each copy of the paper should include three parts: (i) a separate page at the beginning of the manuscript that can be easily removed containing the title of the paper, author names, addressed, affiliations, telephone and fax numbers, e-mail addresses, and acknowledgments; (ii) an abstract that will assist the program chair to classify it; (iii) the manuscript itself without author identification. Papers already accepted for publication should not be submitted. Papers, absent author identification, will be reviewed anonymously by two members of the program committee. Authors will be notified of the program committee’s decision regarding their paper in February, 2000. Submission of papers presented at other major finance meetings reduce the chance of acceptance. Those people willing to serve as a discussant or to chair a session, even if they do not have a paper on the program, should indicate their willingness to the Program Chair.

Submission Fee:

A submission fee of \$20.00 payable to the Western Finance Association, is required for each submitted paper. The fee will be used to help defray the cost of processing the paper. The submission fee is waived for papers written by Ph.D. students who have neither received their degree nor assumed a regular faculty position by the submission deadline.

Best Paper Awards:

*The Trefftz Award* of \$1,500 for the best student paper will be presented in honor of Kenneth L. Trefftz, Professor of Finance, University of Southern California from 1941 to 1982, and the first President of the Western Finance Association. Papers written by Ph.D. students who have neither received their degree nor assumed a regular faculty position by the submission deadline are eligible for this award.

**Please indicate your eligibility** for the award.

*American Association of Individual Investors Award* of \$1,000 for the best paper on investments.  
*Chicago Board of Trade Educational Research Foundation Award* of \$1,000 for the best paper on futures or options on futures.  
*NASDAQ Award* of \$2,000 for the best paper on capital formation.  
*New York Stock Exchange Award* of \$2,000 for the best paper on equity trading.  
*WFA Corporate Finance Award* of \$2,000 for the best corporate finance paper.  
*Cornerstone Research Best Paper Award* of \$2,000 for the best paper at the conference.

**Website:** Authors should check the WFA Website for final details of submission at:

<http://www.gsm.cornell.edu/wfa>

**Submit to:**

Professor Wayne Ferson  
Program Chair, 2000 WFA Meetings  
University of Washington  
Box 353200  
Seattle, WA 98195-3200

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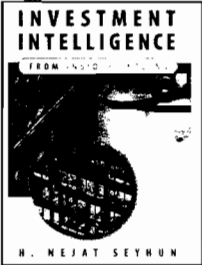
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