#### ADVANCES IN INVESTMENT ANALYSIS AND PORTFOLIO MANAGEMENT VOLUME 9

# ADVANCES IN INVESTMENT ANALYSIS AND PORTFOLIO MANAGEMENT

#### EDITED BY

#### **CHENG-FEW LEE**

Department of Finance, Rutgers University, USA

2002



### JAI An Imprint of Elsevier Science

Amsterdam – Boston – London – New York – Oxford – Paris San Diego – San Francisco – Singapore – Sydney – Tokyo

## **CONTENTS**

LIST OF CONTRIBUTORS	vii
EDITORIAL BOARD	ix
PREFACE	xi
ENDOGENOUS GROWTH AND STOCK RETURNS VOLATILITY IN THE LONG RUN Christophe Faugère and Hany Shawky	1
Christophe Paugere and Harry Shawky	1
A NOTE ON THE MARKOWITZ RISK MINIMIZATION AND THE SHARPE ANGLE MAXIMIZATION MODELS Chin W. Yang, Ken Hung and Felicia A. Yang	21
OPTIMAL HEDGE RATIOS AND TEMPORAL AGGREGATION OF COINTEGRATED SYSTEMS Donald Lien and Karyl Leggio	31
MARKET TIMING, SELECTIVITY, AND MUTUAL FUND PERFORMANCE Cheng-Few Lee and Li Li	41
SOURCES OF TIME-VARYING RISK PREMIA IN THE TERM STRUCTURE	
John Elder	85
STOCK SPLITS AND LIQUIDITY: EVIDENCE FROM AMERICAN DEPOSITORY RECEIPTS	<b>.</b>
Christine X. Jiang and Jang-Chul Kim	109
PORTFOLIO SELECTION WITH ROUND-LOT HOLDINGS  Clarence C. Y. Kwan and Mahmut Parlar	133

DEFINING A SECURITY MARKET LINE FOR DEBT	
EXPLICITLY CONSIDERING THE RISK OF DEFAULT	
Jean L. Heck, Michael M. Holland and David R. Shaffer	165
SHAREHOLDER HETEROGENEITY: FURTHER EVIDENCE	
Yi-Tsung Lee and Gwohorng Liaw	181
THE LONG-RUN PERFORMANCE AND PRE-SELLING	
INFORMATION OF INITIAL PUBLIC OFFERINGS	
Anlin Chen and James F. Cotter	203
THE TERM STRUCTURE OF RETURN CORRELATIONS:	
THE U.S. AND PACIFIC-BASIN STOCK MARKETS	
Ming-Shiun Pan and Y. Angela Liu	233
. 8	
CHARACTERISTICS VERSUS COVARIANCES: AN	
EXAMINATION OF DOMESTIC ASSET ALLOCATION	
STRATEGIES	
Jonathan Fletcher	251
* *	

### LIST OF CONTRIBUTORS

Anlin Chen Department of Business Management,

National Sun Yat-Sen University, Taiwan

James F. Cotter Wayne Calloway School of Business and

Accountancy, Wake Forest University, USA

John Elder Department of Finance, College of Business

Administration, Dakota State University,

**USA** 

Christophe Faugère School of Business, University of Albany,

USA

Jonathan Fletcher Department of Accounting and Finance,

University of Sthrathclyde, UK

Jean L. Heck Department of Finance, College of

Commerce and Finance, Villanova University,

USA

Michael M. Holland Department of Finance, College of

Commerce and Finance, Villanova University,

USA

Ken Hung Department of Business, Management

National Dong Hwa University, Taiwan

Christine X. Jiang Area of Finance, The Fogelman College of

Business and Economics, The University of

Memphis, USA

Jang-Chul Kim Fogelman College of Business and

Economics, University of Memphis, USA

Clarence C. Y. Kwan Michael G. DeGroote School of Business,

McMaster University, Canada

Cheng-Few Lee Department of Finance and Economics,

Graduate School of Management, Rutgers

University, USA

Yi-Tsung Lee Department of Accounting, National

Chengchi University, Taiwan

Karyl Leggio University of Missouri, USA

Li Li Department of Finance and Economics,

Graduate School of Management, Rutgers

University, USA

Gwohorng Liaw Department of Economics, Tunghai

University, Taiwan

Donald Lien Department of Economics, School of

Business, University of Kansas, USA

Y. Angela Liu Department of Business Administration,

National Chung Chen University, Taiwan

Ming-Shiun Pan Department of Finance, Decision Sciences,

and Information Systems, USA

Mahmut Parlar Michael G. DeGroote School of Business,

McMaster University, Canada

David R. Shaffer Department of Finance, College of

Commerce and Finance, Villanova University,

USA

Hany Shawky School of Business, University at Albany,

USA

Chin W. Yang Department of Economics, Clarion University

of Pennsylvania, USA

Felicia A. Yang Department of Economics, University of

Pennsylvania, USA

#### EDITORIAL BOARD

James S. Ang *The Florida State University* 

Christopher B. Barry *Texas Christian University* 

Stephen J. Brown New York University

Edwin Burmeister Duke University

Carl R. Chen
The University of Dayton

Ren-Raw Chen Rutgers University

Son N. Chen
National Chengchi University,
Taiwan

Cheol S. Eun Georgia Institute of Technology

Jack C. Francis Baruch College

Chin-Wen Hsin *Yuan-Ze University* 

Dong Cheol Kim Rutgers University

Stanley J. Kon Smith-Breedan Associate, Inc.

Yun Lin National Taiwan University

Scott C. Linn *University of Oklahoma* 

William T. Moore University of South Carolina

R. Richardson Petti *University of Houston* 

C. W. Sealy
University of North CarolinaCharlotte