

# FINA 9210

## Empirical Research in Investments

### *Reading List*

### *Spring 2011*

#### I Efficient Market Hypothesis, Event Studies, and Seasonality in Stock Returns

##### A Required Reading

- Fama, Eugene F., 1991, Efficient Capital Markets: II, *Journal of Finance*, v. 46, pp. 1575-1617
- Fama, Eugene F., 1998, Market Efficiency, Long-Term Returns, and Behavioral Finance, *Journal of Financial Economics*, v. 49, pp. 283-306
- French, Kenneth R., 1980, Stock Returns and the Weekend Effect, *Journal of Financial Economics*, v. 8, pp. 55-69
- Kothari, S. P. and Jerold B. Warner, 2006, Econometrics of Event Studies, in *Handbook of Corporate Finance: Empirical Corporate Finance*, Chapter 1, Edited by B. Espen Eckbo, Elsevier/North-Holland
- Schwert, G. William, 2003, Anomalies and Market Efficiency, in *Handbook of the Economics of Finance*, Chapter 15, Edited by George Constantinides, Milton Harris, and Rene Stulz, North-Holland

##### B Methodology Papers

- Barber, Brad M. and John D. Lyon, 1997, Detecting Long-Run Abnormal Returns: The Empirical Power and Specification of Test Statistics, *Journal of Financial Economics*, v. 43, pp. 341-372
- Brown, Stephen J., and Jerold B. Warner, 1985, Using Daily Stock Returns: the Case of Event Studies, *Journal of Financial Economics*, v. 14, pp. 3-31

- Campbell, John Y., Andrew W. Lo, and A. Craig MacKinlay, 1997, *The Econometrics of Financial Markets*, Chapter 4, Princeton University Press
- Eckbo, B. Espen, Vojislav Maksimovic, and Joseph Williams, 1990, Consistent Estimation of Cross-Sectional Models in Event Studies, *Review of Financial Studies*, v. 3, pp. 343-365
- Kothari, S. P., and Jerold B. Warner, 1997, Measuring Long-Horizon Security Price Performance, *Journal of Financial Economics*, v. 43, pp. 301-339
- Lyon, John D., Brad M. Barber, and Chih-Ling Tsai, 1999, Improved Methods for Tests of Long-Run Abnormal Stock Returns, *Journal of Finance*, v. 54, pp. 165-201
- Prabhala, N.R., 1997, Conditional Methods in Event Studies and an Equilibrium Justification for Standard Event-Study Procedures, *Review of Financial Studies*, v. 10, pp. 1-38

## C Interesting Papers

- Cooper, Michael J., John J. McConnell, and Alexei V. Ovtchinnikov, 2006, The Other January Effect, *Journal of Financial Economics*, v. 82, pp. 315-341
- Jones, Christopher S., and Joshua Shemesh, 2010, The Weekend Effect in Equity Option Returns, *Working Paper*, University of Southern California
- Zhang, Ivy Xiyang, 2007, Economic consequences of the SarbanesOxley Act of 2002, *Journal of Accounting and Economics*, v. 44, pp. 74-115

## II Consumption CAPM

### A Required Reading

- Campbell, John Y., Andrew W. Lo, and A. Craig MacKinlay, 1997, *The Econometrics of Financial Markets*, Chapter 8, Princeton University Press
- Campbell, John Y., 2003, Consumption-Based Asset Pricing, *Handbook of the Economics of Finance*, Chapter 13, Edited by George Constantinides, Milton Harris, and Rene Stulz, North-Holland
- Cochrane, John Y., 2005, *Asset Pricing*, Chapters 1, 2, 21, Princeton University Press
- Cochrane, John H., 2007, Financial Markets and the Real Economy, *International Library of Critical Writings in Financial Economics*, v. 18, Chapter 7, John H. Cochrane Ed., London: Edward Elgar

## B Methodology Papers

- Breeden, Douglas, Michael Gibbons, and Robert Litzenberger, 1989, Empirical Tests of the Consumption Oriented CAPM, *Journal of Finance*, v. 44, pp. 231-262
- Duffie, Darrell, and Kenneth J. Singleton, 1993, Simulated Moments Estimation of Markov Models of Asset Prices, *Econometrica*, v. 61, pp. 929-952
- Ferson, Wayne E., and George M. Constantinides, 1991, Habit Persistence and Durability in Aggregate Consumption: Empirical Tests, *Journal of Financial Economics*, v. 29, pp. 199-240.
- Hansen, Lars Peter, and James H. Heckman, 1996, The Empirical Foundations of Calibration, *Journal of Economic Perspectives*, v. 10, pp. 87-104
- Hansen, Lars Peter, and Ravi Jagannathan, 1991, Restrictions on Intertemporal Marginal Rates of Substitution Implied by Asset Returns, *Journal of Political Economy*, v. 99, pp. 225-262
- Hansen, Lars Peter, and Kenneth J. Singleton, 1982, Generalized Instrumental Variables Estimation of Nonlinear Rational Expectations Models, *Econometrica*, v. 50, pp. 1269-1288
- Lamont, Owen A., 2001, Economic Tracking Portfolios, *Journal of Econometrics*, v. 105, pp. 161-184

## C Interesting Papers

- Campbell, John Y., 1993, Intertemporal Asset Pricing without Consumption Data, *American Economic Review*, v. 83, pp. 487-512
- Campbell, John Y., and John H. Cochrane, 1999, By Force of Habit: A Consumption-Based Explanation of Aggregate Stock Market Behavior, *Journal of Political Economy*, v. 107, pp. 205-251
- Campbell, John Y., and John H. Cochrane, 2000, Explaining the Poor Performance of Consumption-Based Asset Pricing Models, *Journal of Finance*, v. 55, pp. 2863-2878
- Claus, James, and Jacob Thomas, 2001, Equity Premia as Low as Three Percent? Evidence from Analysts' Earnings Forecasts for Domestic and International Stock Markets, *Journal of Finance*, v. 56, pp. 1629-1666
- Constantinides, George M., and Darrell Duffie, 1996, Asset Pricing with Heterogeneous Consumers, *Journal of Political Economy*, v. 104, pp. 219-240

- Fama, Eugene F., and Kenneth R. French, 2002, The Equity Premium, *Journal of Finance*, v. 57, pp. 637-659
- Yogo, Motohiro, 2006, A Consumption-Based Explanation of Expected Stock Returns, *Journal of Finance*, v. 61, pp. 539-580

### III Time-Series Predictability

#### A Required Reading

- Campbell, John Y., Andrew W. Lo, and A. Craig MacKinlay, 1997, *The Econometrics of Financial Markets*, Chapters 2, 7, Princeton University Press
- Cochrane, John Y., 2005, *Asset Pricing*, Chapter 20.1, Princeton University Press
- Cochrane, John H., 2007, Financial Markets and the Real Economy, *International Library of Critical Writings in Financial Economics*, v. 18, Chapter 7, John H. Cochrane Ed., London: Edward Elgar
- Fama, Eugene F., and G. William Schwert, 1977, Asset Returns and Inflation, *Journal of Financial Economics*, v. 5, pp. 115-146
- Fama, Eugene F., and Kenneth R. French, 1989, Business Conditions and Expected Returns on Stocks and Bonds, *Journal of Financial Economics*, v. 25, pp. 23-49

#### B Methodology Papers

- Campbell, John Y., and John Ammer, 1993, What Moves the Stock and Bond Markets? A Variance Decomposition for Long-term Asset Returns, *Journal of Finance*, v. 48, pp. 3-38
- Campbell, John Y., and Motohiro Yogo, 2006, Efficient Tests of Stock Return Predictability, *Journal of Financial Economics*, v. 81, pp. 27-60
- Cochrane, John H., 2008, The Dog That Did Not Bark: A Defense of Return Predictability, *Review of Financial Studies*, v. 21, pp. 1533-1575
- Ferson, Wayne E., Sergei Sarkissian, and Timothy T. Simin, 2003, Spurious Regressions in Financial Economics? *Journal of Finance*, v. 58, pp. 1393-1413
- Lewellen, Jonathan W., 2004, Predicting Returns with Financial Ratios, *Journal of Financial Economics*, v. 74, pp. 209-235

- Lo, Andrew W., and A. Craig MacKinlay, 1990, Data-Snooping Biases in Tests of Financial Asset Pricing Models, *Review of Financial Studies*, v. 3, pp. 431-468
- Richardson, Matthew and James H. Stock, 1990, Drawing Inferences from Statistics Based on Multi-Year Asset Returns, *Journal of Financial Economics*, v. 25, pp. 323-348
- Stambaugh, Robert F., 1999, Predictive Regressions, *Journal of Financial Economics*, v. 54, pp. 375-421

## C Interesting Papers

- Avramov, Doron, 2004, Stock Return Predictability and Asset-Pricing Models, *Review of Financial Studies*, v. 17, pp. 699-738
- Baker, Malcolm, and Jeffrey Wurgler, 2000, The Equity Share in New Issues and Aggregate Stock Returns, *Journal of Finance*, v. 55, pp. 2219-2257
- Chen, Long, Ralitsa Petkova, and Lu Zhang, 2008, The Expected Value Premium, *Journal of Financial Economics*, v. 87, pp. 269-280
- Lamont, Owen, 1998, Earnings and Expected Returns, *Journal of Finance*, v. 53, pp. 1563-1587
- Lettau, Martin, and Sydney Ludvigson, 2001, Consumption, Aggregate Wealth, and Expected Stock Returns, *Journal of Finance*, v. 56, pp. 815-849
- Pontiff, Jeffrey and Lawrence Schall, 1999, Book to Market as a Predictor of Market Returns, *Journal of Financial Economics*, v. 49, pp. 141-160

## IV Conditional CAPM

### A Required Reading

- Cochrane, John Y., 2005, *Asset Pricing*, Chapter 8, Princeton University Press
- Jagannathan, Ravi, and Zhenyu Wang, 1996, The Conditional CAPM and the Cross-Section of Expected Returns, *Journal of Finance*, v. 51, pp. 3-54
- Lettau, Martin, and Sydney Ludvigson, 2001, Resurrecting the (C)CAPM: A Cross-Sectional Test When Risk Premia Are Time-Varying, *Journal of Political Economy*, v. 109, pp. 1238-1287

- Lewellen, Jonathan, and Stefan Nagel, 2006, The Conditional CAPM Does Not Explain Asset-Pricing Anomalies, *Journal of Financial Economics*, v. 82, pp. 289-314
- Petkova, Ralitsa, and Lu Zhang, 2005, Is value riskier than growth? *Journal of Financial Economics*, v. 78, pp. 187-202

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- Cochrane, John Y., 2005, *Asset Pricing*, Chapters 12-15, Princeton University Press
- Ferson, Wayne E., Sergei Sarkissian, and Timothy Simin, 2008, Asset Pricing Models with Conditional Alphas and Betas: The Effects of Data Snooping and Spurious Regression, *Journal of Financial and Quantitative Analysis*, v. 43, pp. 331-354
- Ferson, Wayne E., and Andrew F. Siegel, 2009, Testing Portfolio Efficiency with Conditioning Information, *Review of Financial Studies*, v. 22, pp. 2735-2758
- Ghysels, Eric, 1998, On Stable Factor Structures in the Pricing of Risk: Do Time-Varying Betas Help or Hurt? *Journal of Finance*, v. 53, pp. 549-573

## C Interesting Papers

- Akbas, Ferhat, Ekkehart Boehmer, Egemen Genc, and Ralitsa Petkova, 2010, The Time-Varying Liquidity Risk of Value and Growth Stocks, *Working Paper*, U of Oregon
- Adrian, Tobias, and Francesco Franzoni, 2009, Learning about Beta: Time-varying Factor Loadings, Expected Returns, and the Conditional CAPM, *Journal of Empirical Finance*, v. 16, pp. 537-556
- Avramov, Doron, and Tarun Chordia, 2006, Asset Pricing Models and Financial Market Anomalies, *Review of Financial Studies*, v. 19, pp. 1001-1040
- Lustig, Hanno N., and Stijn G. van Nieuwerburgh, 2005, Housing Collateral, Consumption Insurance, and Risk Premia: An Empirical Perspective, *Journal of Finance*, v. 55, pp. 1167-1219
- Santos, Tano, and Pietro Veronesi, 2006, Labor Income and Predictable Stock Returns, *Review of Financial Studies*, v. 19, pp. 1-44

## V Intertemporal CAPM

### A Required Reading

- Barinov, Alexander, 2011, Idiosyncratic Volatility, Growth Options, and the Cross-Section of Returns, *Working Paper*, University of Georgia
- Cochrane, John Y., 2005, *Asset Pricing*, Chapters 9, 20.2, Princeton University Press
- Fama, Eugene F., and Kenneth R. French, 1993, Common Risk Factors in the Returns on Bonds and Stocks, *Journal of Financial Economics*, v. 33, pp. 3-56
- Lewellen, Jonathan W., Stefan Nagel and Jay Shanken, 2010, A skeptical appraisal of asset pricing tests, *Journal of Financial Economics*, v. 96, pp. 175-194
- Merton, Robert C., 1973, An Intertemporal Capital Asset Pricing Model, *Econometrica*, v. 41, pp. 867-887
- Petkova, Ralitsa, 2006, Do the Fama-French Factors Proxy for Innovations in Predictive Variables? *Journal of Finance*, v. 61, pp. 581-612

### B Methodology Papers

- Berk, Jonathan B., 2000, Sorting Out Sorts, *Journal of Finance*, v. 55, pp. 402-427
- Cochrane, John Y., 2005, *Asset Pricing*, Chapters 12-15, Princeton University Press
- Gibbons, Michael R., Stephen A. Ross, and Jay Shanken, 1989, A Test of the Efficiency of a Given Portfolio, *Econometrica*, v. 57, pp. 1121-1152
- Kan, Raymond, and Chu Zhang, 1999, Two-Pass Tests of Asset-Pricing Models with Useless Factors, *Journal of Finance*, v. 54, pp. 203-235
- Lamont, Owen A., 2001, Economic Tracking Portfolios, *Journal of Econometrics*, v. 105, pp. 161-184
- Shanken, Jay, 1992, On the Estimation of Beta-Pricing Models, *Review of Financial Studies*, v. 5, pp. 1-33
- Shanken, Jay, and Guofu Zhou, 2006, Estimating and Testing Beta Pricing Models: Alternative Methods and Their Performance in Simulations, *Journal of Financial Economics*, v. 84, pp. 40-86

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- Brennan, Michael J., Ashley W. Wang, and Yihong Xia, 2004, Estimation and Test of a Simple Model of Intertemporal Capital Asset Pricing, *Journal of Finance*, v. 59, pp. 1743-1775
- Chen, Joseph, 2002, Intertemporal CAPM and the Cross-Section of Stock Returns, *Working Paper*, University of Southern California.
- Chen, Nai-Fu, Richard Roll, and Stephen A. Ross, 1986, Economic Forces and the Stock Market, *Journal of Business*, v. 59, 383-404
- Eckbo, B. Espen, Ronald W. Masulis, and Øyvind Norli, 2000, Seasoned Public Offerings: Resolution of the New Issues Puzzle, *Journal of Financial Economics*, v. 56, pp. 251-291
- Hahn, Jaehoon, and Hangyong Lee, 2006, Yield Spreads as Alternative Risk Factors for Size and Book-to-Market, *Journal of Financial and Quantitative Analysis*, v. 41, pp. 245-270
- Li, Qing, Maria Vassalou, and Yuhang Xing, 2006, Sector Investment Growth Rates and the Cross-Section of Equity Returns, *Journal of Business*, v. 79, pp. 1637-1665
- Vassalou, Maria, 2003, News Related to Future GDP Growth as a Risk Factor in Equity Returns, *Journal of Financial Economics*, v. 68, pp. 47-73

## VI Value Premium

### A Required Reading

- Barinov, Alexander, 2011, Idiosyncratic Volatility, Growth Options, and the Cross-Section of Returns, *Working Paper*, University of Georgia
- La Porta, Rafael, Josef Lakonishok, Andrei Shleifer, and Robert Vishny, Good News for Value Stocks: Further Evidence on Market Efficiency, *Journal of Finance*, v. 52, pp. 859-874
- Liew, Jimmy, and Maria Vassalou, 2000, Can Book-to-Market, Size, and Momentum Be Risk Factors That Predict Economic Growth? *Journal of Financial Economics*, v. 57, 221-245
- Nagel, Stefan, 2005, Short Sales, Institutional Ownership, and the Cross-Section of Stock Returns, *Journal of Financial Economics*, v. 78, pp. 277-309
- Petkova, Ralitsa, and Lu Zhang, 2005, Is Value Riskier than Growth? *Journal of Financial Economics*, v. 78, pp. 187-202

- Zhang, Lu, 2005, The Value Premium, *Journal of Finance*, v. 60, pp. 67-103

## B Interesting Papers

- Ali, Ashiq, Lee-Seok Hwang, and Mark A. Trombley, 2003, Arbitrage Risk and the Book-to-Market Anomaly, *Journal of Financial Economics*, v. 69, pp. 355-373
- Berk, Jonathan B., 1995, A Critique of Size-Related Anomalies, *Review of Financial Studies*, v. 8, pp. 275-286
- Campbell, John Y., Christopher Polk, and Tuomo Vuolteenaho, 2010, Growth or Glamour? Fundamentals and Systematic Risk in Stock Returns, *Review of Financial Studies*, v. 23, pp. 305-344
- Conrad, Jennifer, Michael Cooper, and Gautam Kaul, 2003, Value versus Glamour, *Journal of Finance*, v. 58, pp. 1969-1995
- Davis, James L., Eugene F. Fama, and Kenneth R. French, 2000, Characteristics, Covariances, and Average Returns: 1929-1997, *Journal of Finance*, v. 55, pp. 389-406
- Fama, Eugene F., and Kenneth R. French, 1998, Value Versus Growth: The International Evidence, *Journal of Finance*, v. 53, pp. 1975-1999
- Fama, Eugene F., and Kenneth R. French, 2006, The Value Premium and the CAPM, *Journal of Finance*, v. 61, pp. 2137-2162
- Griffin, John M., and Michael L. Lemmon, 2002, Book-to-Market Equity, Distress Risk, and Stock Returns, *Journal of Finance*, v. 57, pp. 2317-2336
- Hahn, Jaehoon, and Hangyong Lee, 2006, Yield Spreads as Alternative Risk Factors for Size and Book-to-Market, *Journal of Financial and Quantitative Analysis*, v. 41, pp. 245-270
- Loughran, Tim, 1997, Book-to-Market Across Firm Size, Exchange, and Seasonality: Is There an Effect?, *Journal of Financial and Quantitative Analysis*, v. 32, pp. 249-268
- Santos, Tano, and Pietro Veronesi, 2010, Habit Formation, the Cross Section of Stock Returns, and the Cash Flow Risk Puzzle, *Journal of Financial Economics*, v. 98, pp. 385-413
- Vassalou, Maria, and Yuhang Xing, 2004, Default Risk in Equity Returns, *Journal of Finance*, v. 59, pp. 831-868
- Xing, Yuhang, 2008, Interpreting the Value Effect through the Q-Theory: An Empirical Investigation, *Review of Financial Studies*, v. 21, pp. 1767-1795

## VII Reversal, Momentum, and Related Continuation Anomalies

### A Required Reading

- Bernard, Victor L., and Jacob K. Thomas, 1989, Post-Earnings-Announcement Drift: Delayed Price Response or Risk Premium? *Journal of Accounting Research*, v. 27, pp. 1-36
- Chan, Louis K.C., Narasimhan Jegadeesh, and Josef Lakonishok, 1996, Momentum Strategies, *Journal of Finance*, v. 51, pp. 1681-1713
- Chordia, Tarun, and Lakshmanan Shivakumar, 2002, Momentum, Business Cycle, and Time-Varying Expected Returns, *Journal of Finance*, v. 57, pp. 985-1019
- Jegadeesh, Narasimhan, 1990, Evidence of Predictable Behavior of Security Returns, *Journal of Finance*, v. 45, pp. 881-898
- Jegadeesh, Narasimhan, and Sheridan Titman, 1993, Returns to Buying Winners and Selling Losers: Implications for Stock Market Efficiency, *Journal of Finance*, v. 48, pp. 65-91
- Fama, Eugene F., and Kenneth R. French, 1996, Multifactor Explanations of Asset Pricing Anomalies, *Journal of Finance*, v. 51, pp. 55-84

### B Interesting Papers

- Asness, Clifford, 1997, The Interaction of Value and Momentum Strategies, *Financial Analysts Journal*, March/April, pp. 29-36
- Chordia, Tarun, and Lakshmanan Shivakumar, 2006, Earnings and Price Momentum, *Journal of Financial Economics*, v. 80, pp. 627-656
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- De Bondt, Werner, and Richard Thaler, 1985, Does the Stock Market Overreact? *Journal of Finance*, v. 40, pp. 793-808
- De Bondt, Werner, and Richard Thaler, 1987, Further Evidence on Investor Overreaction and Stock Market Seasonality, *Journal of Finance*, v. 42, pp. 557-581
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- Lee, Charles M.C. and Bhaskaran Swaminathan, 2000, Price Momentum and Trading Volume, *Journal of Finance*, v. 55, pp. 2017-2069
- Lesmond, David A., Michael J. Schill, and Chunsheng Zhou, 2004, The Illusory Nature of Momentum Profits, *Journal of Financial Economics*, v. 71, pp. 349-380
- Liu, Laura Xiaolei, and Lu Zhang, 2008, Momentum Profits, Factor Pricing, and Macroeconomic Risk, *Review of Financial Studies*, v. 21, pp. 2417-2448
- Rouwenhorst, K. Geert, 1998, International Momentum Strategies, *Journal of Finance*, v. 53, pp. 267-284
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- Zhang, X. Frank, 2006, Information Uncertainty and Stock Returns, *Journal of Finance*, v. 61, pp. 105-136

## VIII New Issues Puzzle

### A Required Reading

- Barinov, Alexander, 2012, Aggregate Volatility Risk: Explaining the Small Growth Anomaly and the New Issues Puzzle, *Journal of Corporate Finance*, v. 18, pp. 763-781
- Brav, Alon, Christopher Geczy, and Paul A. Gompers, 2000, Is the Abnormal Return Following Equity Issuances Anomalous? *Journal of Financial Economics*, v. 56, pp. 209-249
- Daniel, Kent, and Sheridan Titman, 2006, Market Reactions to Tangible and Intangible Information, *Journal of Finance*, v. 61, pp. 1605-1643
- Eckbo, B. Espen, Ronald W. Masulis, and Øyvind Norli, 2000, Seasoned Public Offerings: Resolution of the New Issues Puzzle, *Journal of Financial Economics*, v. 56, pp. 251-291
- Loughran, Tim, and Jay R. Ritter, 1995, The New Issues Puzzle, *Journal of Finance*, v. 50, pp. 23-51
- Lyandres, Evgeny, Le Sun, and Lu Zhang, 2008, The New Issues Puzzle: Testing the Investment-Based Explanation, *Review of Financial Studies*, v. 21, pp. 2825-2855

- Ritter, Jay R., 2003, Investment Banking and Security Issuance, in George Constantinides, Milton Harris, and Rene Stulz, eds.: *Handbook of Economics and Finance*, Chapter 5, North Holland
- Schultz, Paul, 2003, Pseudo Market Timing and the Long-Run Underperformance of IPOs, *Journal of Finance*, v. 58, pp. 483-517

## B Methodology Papers

- Barber, Brad M. and John D. Lyon, 1997, Detecting Long-Run Abnormal Returns: The Empirical Power and Specification of Test Statistics, *Journal of Financial Economics*, v. 43, pp. 341-372
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- Hertz, Michael, Michael Lemmon, James S. Linck, and Lynn Rees, 2002, Long-run Performance Following Private Placements of Equity, *Journal of Finance*, v. 57, pp. 2595-2617

- Loughran, Tim, and Jay R. Ritter, 1997, The Operating Performance of Firms Conducting Seasoned Equity Offerings, *Journal of Finance*, v. 52, pp. 1823-1850
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- Ritter, Jay, 1991, The Long-Run Performance of Initial Public Offerings, *Journal of Finance*, v. 46, pp. 3-27
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- Teoh, Siew Hong, Ivo Welch, and T. J. Wong, 1998, Earnings Management and the Post-Issue Underperformance of Seasoned Equity Offerings, *Journal of Financial Economics*, v. 50, pp. 63-100
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## IX Accrual Anomaly

### A Required Reading

- Desai, Hemang, Shivaram Rajgopal, and Mohan Venkatachalam, 2004, Value-Glamour and Accruals Mispricing: One Anomaly or Two? *Accounting Review*, v. 79, pp. 355-385
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- Kraft, Arthur, Andrew Leone, and Charles E. Wasley, 2006, An Analysis of the Theories and Explanations Offered for the Mis-Pricing of Accruals and Accrual Components, *Journal of Accounting Research*, v. 44, pp. 297-339

- Kraft, Arthur, Andrew Leone, and Charles E. Wasley, 2007, Regression-Based Tests of the Market Pricing of Accounting Numbers: The Mishkin Test and Ordinary Least Squares, *Journal of Accounting Research*, v. 45, pp. 1081-1115
- Mushruwala, Christine, Shivaram Rajgopal, and Terrence J. Shevlin, 2006, Why is the Accrual Anomaly not Arbitraged Away? The Role of Idiosyncratic Risk and Transaction Costs, *Journal of Accounting and Economics*, v. 42, pp. 3-33
- Richardson, Scott A., Richard G. Sloan, Mark T. Soliman, and Irem Tuna, 2005, Accrual Reliability, Earnings Persistence, and Stock Prices, *Journal of Accounting and Economics*, v. 39, pp. 437-485
- Wu, Ginger, Lu Zhang, and X. Frank Zhang, 2010, The Q-Theory Approach to Understanding the Accrual Anomaly, *Journal of Accounting Research*, v. 48, pp. 177-223
- Zhang, X. Frank, 2007, Accruals, Investment, and the Accrual Anomaly, *Accounting Review*, v. 82, pp. 1333-1363

## **X Idiosyncratic Volatility, Analyst Disagreement, and Expected Returns**

### **A Required Reading**

- Ang, Andrew, Robert J. Hodrick, Yuhang Xing, and Xiaoyan Zhang, 2006, The Cross-Section of Volatility and Expected Returns, *Journal of Finance*, v. 61, pp. 259-299
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- Guo, Hui, Haim Kassa, and Mike Ferguson, 2010, On the Relation between EGARCH Idiosyncratic Volatility and Expected Stock Returns, *Working Paper*, University of Cincinnati

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