

JOURNAL OF FINANCIAL AND QUANTITATIVE ANALYSIS

2485 Published online by Cambridge University Press



JOURNAL OF FINANCIAL AND QUANTITATIVE ANALYSIS

A JOINT PUBLICATION OF THE UNIVERSITY OF WASHINGTON GRADUATE SCHOOL OF BUSINESS ADMINISTRATION AND THE WESTERN FINANCE ASSOCIATION

VOL. 22, NO. 2, JUNE 1987

Transaction Data Tests of the Mixture of Distribution Hypothesis
Option Pricing when the Variance Is Changing
Tests of an American Option Pricing Model on the Foreign Currency Options Market
Commodity Contracts and Common Stocks as Hedges against Relative Consumer Price Risk
Consolidation, Fragmentation, and Market Performance
An Optimal Financial Response to Variable Demand
A Mean-Variance Derivation of a Multi-Factor Equilibrium Model
Risk Decomposition: Variance or Standard Deviation—A Reexamination and Extension
Inflation and Asset Life: The Darby versus the Fisher Effect

Alfred N. Page, Managing Editor

ASSOCIATE EDITORS

Gordon Alexander, University of Minnesota
Paul Asquith, Harvard University
Douglas T. Breeden, Duke University
Stephen J. Brown, Yale University
Nai-Fu Chen, University of Chicago
George Constantinides, University of Chicago
Larry Dann, University of Oregon
Douglas W. Diamond, University of Chicago
Peter A. Frost, University of Washington
Robert Geske, University of California,
Los Angeles

Michael R. Gibbons, Stanford University Chi-Fu Huang, Massachusetts Institute of Technology Robert A. Jarrow. Cornell University George Kaufman, Loyola University Paul Malatesta, University of Washington Ronald Masulis, Southern Methodist University Edward Rice, University of Washington Eduardo Schwartz, University of California, Los Angeles Jay Shanken, University of Rochester Clifford W. Smith, University of Rochester

Martha M. Auvil, Editor Gloria L. Young, Editorial Assistant Kelly D. Foy, Office Manager

The Journal of Financial and Quantitative Analysis is published by the Graduate School of Business Administration, University of Washington, Seattle, Washington 98195, in conjunction with the Western Finance Association. Regular issues are published in March, June, September, and December. Second-class postage is paid at Seattle, Washington.

The views and opinions expressed are those of the authors and do not necessarily reflect those of the Graduate School of Business Administration of the University of Washington or of the Western Finance Association.

Manuscripts submitted for publication and correspondence relating to editorial matters should be addressed to Professor Alfred N. Page, Managing Editor, *Journal of Financial and Quantitative Analysis*, Graduate School of Business Administration, Mackenzie Hall, DJ-10, University of Washington, Seattle, Washington 98195. Manuscripts are to be sent in triplicate with a \$30 submission fee for Western Finance Association members (\$45 for nonmembers).

Copyright 1987, Graduate School of Business Administration, University of Washington

Journal of Financial and Quantitative Analysis—ISSN 0022-1090

Correspondence relating to advertising, subscriptions, billing, single-copy orders, missing issues, permission to reprint, and change of address should be addressed to Kelly D. Foy, Office Manager, *Journal of Financial and Quantitative Analysis*, Graduate School of Business Administration, Mackenzie Hall, DJ-10, University of Washington, Seattle, Washington 98195.

Correspondence pertaining to the Western Finance Association should be sent to Professor Michael Joehnk, College of Business, Arizona State University, Tempe, Arizona 85281.

Subscription rates are as follows:

Individual	\$30.00/yr.
Outside U.S.A., add for foreign mail (U.S. funds)	\$ 5.00/yr.

Firm or Library \$45.00/yr. Outside U.S.A., add for foreign mail (U.S. funds) \$5.00/yr.

Student \$20.00/yr.

(with letter from Department Chairman)

Subscriptions will not be accepted for less than a full year. Some back issues are in stock and are available at \$9.00 per copy. Out-of-print issues may be obtained from Xerox University Microfilms International, 300 North Zeeb Road, Ann Arbor, Michigan 48106. Claims for missing issues must be made within six months of the date of publication. A subscription to the *Journal of Financial and Quantitative Analysis* automatically entitles the subscriber to membership in the Western Finance Association.

WESTERN FINANCE ASSOCIATION 1986/87 Executive Committee

Gerald Bierwag, President
Robert Litzenberger, President-elect
Bradford Cornell, Vice President
Michael Joehnk, Secretary-Treasurer
Alan Kraus, Past President
Alfred Page, Managing Editor, JFQA
Richardson Petit, Director
Mark Rubinstein, Director
Willard Carleton, Director
Larry Dann, Director

University of Arizona
University of Pennsylvania
University of California, Los Angeles
Arizona State University
Queens University
University of Washington
University of Washington
University of California, Berkeley
University of Oregon

POSTMASTER: Send address changes to *Journal of Financial and Quantitative Analysis*, Graduate School of Business Administration, Mackenzie Hall, DJ-10, University of Washington, Seattle, Washington 98195.