

JFQA

JOURNAL OF

FINANCIAL AND QUANTITATIVE ANALYSIS

When Factors Do Not Span Their Basis Portfolios

Mark Grinblatt and Konark Saxena

Text-Based Industry Momentum

Gerard Hoberg and Gordon M. Phillips

Deal Initiation in Mergers and Acquisitions

Ronald W. Masulis and Serif Aziz Simsir

Time Will Tell: Information in the Timing of Scheduled Earnings News

Travis L. Johnson and Eric C. So

Investor Myopia and the Momentum Premium across International Equity Markets

Paul Docherty and Gareth Hurst

Is It Who You Know or What You Know? Evidence from IPO Allocations and Mutual Fund Performance

Chuan-Yang Hwang, Sheridan Titman, and Yuxi Wang

Beta Active Hedge Fund Management

Jun Duanmu, Alexey Malakhov, and William R. McCumber

Monetary-Policy Rule as a Bridge: Predicting Inflation without Predictive Regressions

Jian Hua and Liuren Wu

Anticipating Uncertainty: Straddles around Earnings Announcements

Chao Gao, Yuhang Xing, and Xiaoyan Zhang

The Term Structure of Expected Recovery Rates

Hitesh Doshi, Redouane Elkamhi, and Chayawat Ornthanalai

Event-Related Exchange-Rate Forecasts Combining Information from Betting Quotes and Option Prices

Michael Hanke, Rolf Poulsen, and Alex Weissensteiner

Executive Overconfidence and Securities Class Actions

Suman Banerjee, Mark Humphery-Jenner, Vikram Nanda, and Mandy Tham

Editors:

Hendrik Bessembinder

Jennifer Conrad

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 and the University of North Carolina Kenan-Flagler Business School

VOL. 53, NO. 6 | December 2018



CAMBRIDGE
UNIVERSITY PRESS

When Factors Do Not Span Their Basis Portfolios	2335
Mark Grinblatt and Konark Saxena	
Text-Based Industry Momentum	2355
Gerard Hoberg and Gordon M. Phillips	
Deal Initiation in Mergers and Acquisitions	2389
Ronald W. Masulis and Serif Aziz Simsir	
Time Will Tell: Information in the Timing of Scheduled Earnings News	2431
Travis L. Johnson and Eric C. So	
Investor Myopia and the Momentum Premium across International Equity Markets . . .	2465
Paul Docherty and Gareth Hurst	
Is It Who You Know or What You Know? Evidence from IPO Allocations and Mutual Fund Performance	2491
Chuan-Yang Hwang, Sheridan Titman, and Yuxi Wang	
Beta Active Hedge Fund Management	2525
Jun Duanmu, Alexey Malakhov, and William R. McCumber	
Monetary-Policy Rule as a Bridge: Predicting Inflation without Predictive Regressions	2559
Jian Hua and Liuren Wu	
Anticipating Uncertainty: Straddles around Earnings Announcements	2587
Chao Gao, Yuhang Xing, and Xiaoyan Zhang	
The Term Structure of Expected Recovery Rates	2619
Hitesh Doshi, Redouane Elkamhi, and Chayawat Ornthanalai	
Event-Related Exchange-Rate Forecasts Combining Information from Betting Quotes and Option Prices	2663
Michael Hanke, Rolf Poulsen, and Alex Weissensteiner	
Executive Overconfidence and Securities Class Actions	2685
Suman Banerjee, Mark Humphery-Jenner, Vikram Nanda, and Mandy Tham	

MANAGING EDITORS

Hendrik Bessembinder
Arizona State University

Jennifer Conrad
University of North Carolina

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

Marcin Kacperczyk
Imperial College London

Bryan Routledge
Carnegie Mellon University

Gurdip Bakshi
Temple University

Jonathan Karpoff
University of Washington

Sergei Sarkissian
McGill University

Turan Bali
Georgetown University

Francis Longstaff
University of California at
Los Angeles

Paul Schultz
University of Notre Dame

Murillo Campello
Cornell University

Ronald Masulis
University of New South
Wales

Chester Spatt
Carnegie-Mellon University

Mikhail Chernov
University of California at
Los Angeles

John McConnell
Purdue University

Kumar Venkataraman
Southern Methodist University

Jeffrey Coles
University of Utah

Robert McDonald
Northwestern University

Ralph Walking
Drexel University

Ran Duchin
University of Washington

Darius Palia
Rutgers University

Yuhai Xuan
University of Illinois at
Urbana-Champaign

Alex Edmans
London Business School

Neil Pearson
University of Illinois at
Urbana- Champaign

David Yermack
New York University

Mara Faccio
Purdue University

George Pennacchi
University of Illinois at
Urbana- Champaign

Lu Zhang
Ohio State University

Vivian Fang
University of Minnesota

Jeffrey Pontiff
Boston College

Guofu Zhou
Washington University
in St. Louis

Wayne Ferson
University of Southern
California

Jay Ritter
University of Florida

PRODUCTION EDITOR
Wendy Katz
University of Washington

The Journal of Financial and Quantitative Analysis (ISSN 0022-1090), Michael G. Foster School of Business, University of Washington, 370 Mackenzie Hall, UW Box 353200, Seattle, WA 98195-3200, is published bimonthly in February, April, June, August, October, 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 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 2018, Michael G. Foster School of Business, University of Washington

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

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

VOL. 53, NO. 6, DECEMBER 2018

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 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

SUBMISSIONS

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). Payment is required at the time of submission. VISA, MasterCard, and American Express are accepted. Please consult the journal Web site 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

For individuals or institutions interested in a single journal subscription in 2019, 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. Elsewhere in the world, subscription fees are payable in U.K. pounds sterling: journals@cambridge.org

2019 Annual Subscription Fees

Volume 54: February, April, June, August, October, and December

Category	Access Type	Price
Organizational	Online & Print	\$721/£408
Organizational	Print only	\$734/£396
Organizational	Online only	\$556/£333
Individual	Online & Print	\$129/£71
Individual	Print only	\$109/£57
Individual	Online only	\$91/£52
Student	Print only	\$31/£21

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; general enquiries from elsewhere should be addressed to the Cambridge office 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; enquiries regarding Spanish language translation rights (only) should be addressed to the Madrid office 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.

VOTE FOR THE SHARPE BEST PAPER AWARD!

The William F. Sharpe Award for Scholarship in Financial Research recognizes researchers who, through their articles published in the Journal of Financial and Quantitative Analysis, have most contributed to our understanding of important areas of financial economics. The Sharpe Award nominees are chosen by a vote of JFQA readers and Associate Editors from the papers published in 2018. Winners are selected by the Associate Editors. Access the official ballot at

www.jfqa.org

Deadline: April 30, 2019