Index

Abarbanell, J., 84, 97, 100, 101, 119, 119n1, 123
Abnormal returns, 143–144
Abraham, A., 233
Academic stock scoring systems for value and growth, 292–296
Accrual anomaly, 140
about, 23–24
decline of, 51
definition of accruals, 55–58
practical implications, 51–52
Sloan (1996), extensions of, 38–45
Sloan (1996), simplified, 32–38
strongest, 41–42
what are accruals, 24–32
worldwide, 43–45
Accrual anomaly, alternative explanations
for, 45–51
growth-based explanations, 48–50
research design issues, 47
risk-based explanations, 46–47
summary, 50–51
Accrual component of earnings, 33
Accruals
broader definition of, 40–41
case study, 27–32
defined, 24
described, 24–32
discretionary components, 42
intermediaries use of information in, 39–40
measurement, 27
Affleck-Graves, J., 132, 133, 134
Agrawal, Anup, 141, 148, 158
Ali, A., 40, 109, 273
Allen, E., 43, 48
Alpha, 5
Alternative value indicators, 269–270
Altman, E., 122
Altman Z-score, 122, 123
Analysis bias, 61
Analyst downgrades, 164
Analyst recommendation and earnings forecast anomaly
determinants of forecast revisions, 84–86
earnings forecast revisions, 81–84
international evidence, 86–87
investment performance of forecast revisions, 87
investment recommendations, 64–81
recommendation strategies, 87
research analyst role, 63–64
Analyst tips, 80
Anderson, C., 124
Anomalies
described, 299
documentation of, 148–150
identification of, 4
weighing the evidence, 10
Anomalies, basics of, 92–99
post-earnings announcement drift evidence, 96–99
post-earnings announcement drift measurement, 95–96
Anomalies, consideration of, 297–299
number of stocks in a quant portfolio, 300–301
reading and understanding the anomaly literature, 299–300
Anomalies, explanation of anomaly, realness of, 5–7
behavioral finance and limits to arbitrage, 8–9
rational structural uncertainty, 7–8
Anomalies, realness of
data-snooping, 6–7
risk mismeasurement, 5–6
statistical reliability, 6
Anomalies of capital markets
efficient markets, 2–3
evidence for, 10
explanation of, 5–9
identification of, 3–4
risk and expected-return models, 10–17
Anomaly literature, reading and understanding
anomaly, described, 299
mean return and the variance of return, 299
response to an anomaly article, 299–300
risk adjusted return, described, 299
risk model, described, 299
zero risk adjusted anomaly return, 300
Anomaly-based portfolio, 304
Anomaly-based processes for the individual investor
about, 285–286
anomaly-based quant processes, 296–305
ETFs to add a market neutral asset to a portfolio, 291–292
increasing returns using market neutral, 286–291
stock scoring systems to outperform indexes, 292–296
Apedjinou, Kodjo, 185, 186
Arbitrage pricing theory, 14–15
Arena, Matteo, 184, 185
Ariel, R. A., 225, 248
Arsad, Z., 233
Asness, Clifford S., 46, 182, 184, 186
Book-to-market (BTM), 46, 182, 184, 186
Book-to-market (BTM) value, 189
Book-to-market effect, 163, 164
Book-to-market ratios, 266, 269
Bouman, S., 223
Boursel Jau and Puri, 250
Bradshaw, M., 39, 81, 139, 140
Brandt, M., 99, 101
Brav, A., 131, 269
Brock, F., 167
Brokerage commissions, 302–303
Brown, L, 77, 219
Brown, P., 92, 96, 275
Bush, George W., 240, 241
Bushee, B., 84, 106, 119, 119n1, 123
Cahan, R. M., 220
Campbell, J., 14, 109, 122, 123
Canestrelli, E., 235
CANSLIM, 293–294
Capital asset pricing model (CAPM), 12, 13, 46, 265
Capital efficiency, 124–125
Capital investment and growth anomalies, 125–125
“The Case for Technical Analysis” (Tabell and Tabell), 177
Cash flow strategy, 37
Cash flows, 37
Cash tender offers, 142
Cash vs. accrual component earnings, 107
Cervera, A., 226
Chad, R., 43, 48
Chan, K., 42, 43, 45, 48, 198
Chan, L., 83
Chan, L.K.C., 42, 43, 45, 48, 50, 279
Index

Chan, S. H., 231
Charting. See Technical analysis
Chen, Long, 16, 272
Chen, Nai-fu, 15
Chen, X., 40
Cheuk, M.-Y., 165
Chordia, T., 97, 103, 106, 108, 198
Choudhry, T., 232
Christophe, S., 80
Chui, J., 48
Chui, A., 199
Chukwuogor-Ndu, C., 232
Clark, R., 211, 212
Cliff, M. T., 254
Clinton, Bill, 241, 244, 247
Collins, D., 40, 97, 107
Commercial stock scoring systems
CANSLIM, 293–294
VALUELINE, 293
Zacks Rank, 294–295
Confirmation bias, 196–197
Confirmitory biases, 196
Conflicts of interest, 76
Congress is in session, 237–242
Connolly, R. A., 233
Conrad, J., 86
Conservative minus aggressive (CMA), 47
Convertible debt, 133–134
Cooper, M., 124
Cooper, M. J., 41n3, 48n5, 254
Cooper, M. S., 219, 220
Cooper, Tommy, 158
Core earnings, 100n4
Corporate innovation (CI), 185
Costly reversibility, 268
Couits, J. A., 233
Coval, Joshua, 9
Cross, F., 231
Current operating assets, 29
Daniel, Kent, 196, 267, 274, 275
Data anomalies, fundamental
about, 117–118
capital investment and growth anomalies, 123–125
distress risk, 122–123
fundamental metrics, 118–122
international evidence, 125–126
Data mining, 119
Data traps in back testing
looking ahead: survivor and restatement
bias in backtesting, 305
in-sample vs. out-of-sample performance, 304
Data-snooping, 6–7
Davis, James L., 167
Day of the week effects, 231–234
DeBondt, W., 178, 179, 180, 181, 182, 199
Debt issuances, 133–134
Dechow, P. M., 43, 55n7
Deemer, Walter, 177
Del Brio, Esther, 165
Delavigna, S., 105
Demirtas, K. Ozgur, 277, 278
Democratic administrations, 240
Desai, H. M., 49
Dey, M., 110
Dichev, I., 123, 268
Dijk, Mathijs A. van, 276
Dimson, E., 205
Discount rates, 49
Disposition effect, 194, 195
Distress risk, 122–123
Dividend initiation and omissions, 136–138
Dividend-yield strategy, 118
Dodd, D., 23, 24, 26, 27, 266
Dow, Charles, 176–177
Dow theory, 177
Downs, J., 118
Doyle, J., 98, 101
Dubois, M., 232
Dunham, Lee M., 196
Dymke, Bjoern M., 164
Dzhaharov, C., 237
Earning management, 143
Earnings announcement on Fridays, 105
Earnings fixation, 51, 53
Earnings fixation hypothesis, 38, 39
Earnings forecast revisions
about, 81–82
evidence on the value of forecast revisions, 82–84
Earnings manipulation, 43, 102
Earnings quality, 58
Earnings restatements, 158
Earnings surprises, 107
autocorrelation, 98
Earnings-based strategies, 107–108
Earnings-based strategies, other, 107–108
Index

Earnings-based trading strategies, 92
Easterday, K. E., 208
Easton, S. A., 221
Eckbo, B. E., 165
Eckbo, E., 133
“Efficient Capital Markets: A Review of Theory and Empirical Work” (Fama), 177
Efficient market hypothesis, 23
Efficient markets, 2–3
Election cycles, 239–242
other literature, 245–248
Elfakhani, Said, 279
Elgers, Lo, and Pfeiffer (2001), 83
Elliott, Ralph Nelson, 177
Elliott, Ralph Nelson, 177
Elton, J., 82
Empire-building, 125
Enterprise multiple (EM), 270
EPS forecast, 82
Erickson, J., 231
Ertimur, Y., 77
Esterday, 209
Etebari, A., 165, 230, 231
ETFs to add a market neutral asset to portfolio, 291–292
Expected return, 11
Extensions, 106–107
Fairfield, P. M., 48, 48n5
Fama, Eugene, 2, 7, 14, 15–16, 46, 91, 117, 118, 123, 126, 129, 135, 136, 140, 177, 184, 195, 205, 206, 266, 267, 260, 269, 278, 279, 279
Fama and French three-factor model, 6, 16, 46, 190, 265, 266
Fama-French three-factor model, 266
Fan, D. K., 165
Faurel, L., 107
Ferguson, M. F., 237, 239
Ferri, M., 80
52-week high/low, 187–188
Firm-specific expected return estimates, 16
Flannery, M., 134, 140, 141
Fong, W. M., 199
Forecast revisions, determinants of, 84–86
Forecast revisions value evidence on, 82–84
influence of analyst and brokerage house characteristics, 83–84
influence of firm characteristics, 83
Forecasts of asset class returns, 287–290
Fosback, N. G., 248
Foster, G., 96, 117
‘Foundations of Technical Analysis’ (Lo, Mamasky, and Wang), 178
Francis, J., 102
Frazzini, A., 78
French, Kenneth, 14, 15–16, 46, 117, 118, 123, 126, 184, 195, 231, 253, 266, 267, 268, 269, 277, 278, 279
Fridays, earnings announcement on, 105
Friedman, Jacques A., 272
Friesen, Geoff C., 196
F-SCORE, 120–122, 126
Fundamental analysis, 51–52
Future earnings announcements, concentration of drift around, 99
GAAP earnings, 99, 100, 102
Galdi, F. C., 125, 126
Gann, W. D., 177
Garcia-Feijoo, L., 124
Garfinkel, J., 104, 134, 140, 141
Garrett, I., 223
Ge, W., 43
Gebhardt, William, 16
George, T., 186, 187, 188, 189
Gharghori, Philip, 279
Gibbons, R. S., 231
Gilbert, Aaron, 165
Givoly, D., 82
Gomes, Joao, 269
Gompers, P., 131
Gong, G., 40
Gonzalez, M., 249
Gow, I. D., 102
Goyal, A., 106
Graham, B., 23, 24, 26, 27, 266
Green, C., 66
Green, J., 37, 50
Greenblatt, Joel, 162
Greenwood, Robin, 9
Gregory, A., 165
Griffin, John, 109, 198, 268, 274
Grinblatt, M., 188, 189, 194
Grossman, Sanford, J., 177
Growth stocks, 266
Growth-based explanations, 48–50
Groysberg, B., 66, 79, 84
Gruber, M., 82
Grundy, B. D., 192
G-SCORE, 121–122, 126
Gulen, H., 48n5, 48n6, 124, 254, 272
Gultekin, M., 82, 221, 231
Gultekin, N. B., 221, 231
Guner, A. Burak, 277, 278
Index

Haggard, K. S., 184, 185
Halloween effect, 221
Hamao, Yasushi, 279
Hameed, A., 198, 199
Hamilton, William P., 177
Hand, J. R. M., 50
Hand, R. M., 57
Hanta, J. D., 192
Hansen, Lars Peter, 13
Hansen, P. R., 206
Harris, L., 231
Haug, M., 210, 211
Healy, P., 66, 79, 84
Heaton, J. B., 209
Hedge portfolio, 95, 96
Hensel, C., 212, 213, 221, 240, 245, 248, 249
Herbst, A. F., 239
Herd behavior, 193, 194, 273–274
Hertzel, M., 138
Hess, P., 231
Heston, Steven L., 279
High book-to-market (BM) firms, 118
High minus low (HML) factor, 47
High turnover strategies with smaller accounts, 303–304
Hilscher, J., 122, 123
Hirsch, J. A., 213, 219
Hirsch, Y., 213, 248
Hirschey, M., 212, 213, 219
Hirshleifer, D. A., 37, 41, 46, 47, 49, 105, 196, 255
HML factors, 267
Hobbs, G. R., 240
Hoberg, Gerard, 267
Holding periods, 298
Holiday effects
  about, 225–231
  Ramadan, 230–231
  the sell on Rosh Hashanah and buy on Yom Kippur anomaly, 229
Holthausen, R., 119
Hong, Harrison, 182, 183, 191, 195, 196, 197
Horowitz, Joel L., 275
Hou, K., 37, 41, 46, 47, 49, 276
Hribar, P., 40, 97, 107
Hsieh, J., 80, 164
Huang, D., 199
Huang, K., 77
Huang, R. D., 240, 245
Huddart, Steven J., 158
Huibers, E., 199
Hutton, A., 83
Hvidkjaer, Soeren, 197
Hwang, C. Y., 186, 187, 188, 189
Hwang, Lee-Seok, 273
I/B/E/S, 95
Idiosyncratic return, 15
Idiosyncratic volatility, 184–185
Ikenberry, D. L., 155, 233
Implementation of anomaly-based quant processes, 296–305
  anomalies to consider, 297–299
  backtesting, 296–297
  data traps, 304–305
  high turnover strategies with smaller accounts, 303–304
  trading costs, 301–305
Imply cost of capital, 16–17
Improving upon momentum strategies, 184–186
Increasing returns using market neutral, 286–291
  asset allocation process, 286–287
  forecasts of asset class returns, 287–290
  when not to include market neutral, 290–291
Individual investors, 110–112
Industry returns, 160–161
Inflation, 103
Influence of analyst and brokerage house characteristics, 76–78, 83–84
Influence of firm characteristics, 66–76, 83
Information asymmetry, 160
Information effect, 155n5
Initial public offerings, 130–132
In-sample versus out-of-sample performance, 304
Insider data, 165–166
Insider home purchases, 158
Insider trading, imitation of, 148
Insider trading anomaly
  1978–2005 period results, 150–152
  about, 147–148
  consistency, year by year, 152–154
  documentation of, 148–150
  institutional investors, 162–163
  international evidence, 164–165
  latest developments, 166–167
  long/short strategy for institutional investors, 167–170
  overview of insider filings, 148
  relation to other anomalies, 163–164
  returns generated during the 1-year holding periods, 154–155
  returns vary by industry, 160–161
  S&P 500 returns prediction, 165–166
Insider trading anomaly (Continued)
on the short side, 156–160
small cap companies vs. large cap companies, 155–156
Insider trading data providers, 162
Insiders' Chronicle, 162
Institutional investors, 108–110, 162–163, 193–194
International January barometer, 221
Intertemporal capital asset pricing model, 14
Inventory accruals, 43
Investigation of subsequent events following extreme accruals, 42–43
Investment recommendations about, 64–65
determinants of recommendations, 78–79
evidence on recommendation profitability, 65–78
international evidence, 80–81
overview of the investment performance of recommendations, 81
who trades on recommendations, 79–80
Investor overconfidence, 190
Investor's Business Daily, 293, 294
Investors overoptimism, 131
Irvine, P., 80
Issuance effect, 143
Jacobs, B. I., 205
Jacobsen, B., 223
Jaffe, J., 205, 206, 207, 211, 221, 226
Jagolinzer, Alan D., 157–158
January barometer (JanB), 213–221
January effect, 275
about, 206–211
trading the January small cap effect in the futures markets, 211–213
Jegadeesh, N., 42, 43, 45, 48, 50, 76, 78, 79, 83, 178, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 197, 199, 225
Jegadeesh, R., 107
Jeng, Leslie A., 150
Jensen, Michael C., 177, 186
Jiang, Hao, 273, 274
Joint-hypothesis problem, 5
Journal of Accounting Research, 92
Juttner-Nauroth, Beate, 16
Jung, B., P. Shane, 77n2
K. Wei, 123, 125
Kahneman, D., 195
Kamara, A., 231
Kamstra, M., 223
Kao, Duen-Li, 272
Kato, K., 232
Kaul, G., 86
Ke, B., 108, 109, 158
Keim, D. B., 205, 206, 207, 211, 221, 226, 233, 235, 275
Kemp, Alexander G., 177
Khan, Mozaffar, 9, 14, 46
Kim, J., 76, 78, 79
Kinney, W. R., Jr., 206
Kishore, R., 99, 101
Klusa, S., 109
Kleidon, Allan W., 275
Kogan, Leonid, 9, 15, 269
Korajczyk, Robert A., 192, 193
Kothari, S. P., 103n7, 104, 144
Kraft, A., 47, 54
Krail, Robert J., 272
Kramer, L. A., 223
Kramer, W., 255
Krische, S. D., 76, 78, 79
Kusnadi, Y., 199
Lafond, R., 102
Lam, Keith S. K, 279
Lamont, Owen, 15
Lang, Sebastian, 165
Lanstein, Ronald, 266
Larcker, D., 119
Larson, C. R., 43
Larson, J., 43, 48
Lazazzera, C., 272
Lean, H. H., 199
Lee, C. M. C., 76, 78, 79, 197
Lee, Charles, 16
Lee, J., 150
Lee, Ronald, 279
Lee, Y., 199
Lehavy, R., 66, 76, 77
Lehmann, Bruce, 180
Leippold, M., 45, 45
Lemmon, M., 138
Lemmon, Michael L., 268, 274
Leone, A., 47, 54
Lerman, A., 101, 108
<table>
<thead>
<tr>
<th>Author/Concept</th>
<th>Page(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lesmond, David</td>
<td>191, 192</td>
</tr>
<tr>
<td>Lettau, Martin</td>
<td>16</td>
</tr>
<tr>
<td>Leung, W.-K.</td>
<td>231</td>
</tr>
<tr>
<td>Lev, B.</td>
<td>40, 119, 300</td>
</tr>
<tr>
<td>Levi, M.</td>
<td>223, 231</td>
</tr>
<tr>
<td>Levy, K. N.</td>
<td>205</td>
</tr>
<tr>
<td>Levy, Robert</td>
<td>186</td>
</tr>
<tr>
<td>Lewellen, Jonathan</td>
<td>189</td>
</tr>
<tr>
<td>Li, O.</td>
<td>109</td>
</tr>
<tr>
<td>Li, Oliver Zhen</td>
<td>148</td>
</tr>
<tr>
<td>Li, Qing</td>
<td>15</td>
</tr>
<tr>
<td>Li, Y.</td>
<td>231</td>
</tr>
<tr>
<td>Liew, John M.</td>
<td>272</td>
</tr>
<tr>
<td>Lim, S.</td>
<td>105</td>
</tr>
<tr>
<td>Lim, T.</td>
<td>182, 183, 191</td>
</tr>
<tr>
<td>Linck, J.</td>
<td>138</td>
</tr>
<tr>
<td>Lintner, John</td>
<td>13, 265</td>
</tr>
<tr>
<td>Lipson, M.</td>
<td>80</td>
</tr>
<tr>
<td>Litov, L.</td>
<td>109</td>
</tr>
<tr>
<td>Liu, C.</td>
<td>199</td>
</tr>
<tr>
<td>Liu, W.</td>
<td>199</td>
</tr>
<tr>
<td>Livnat, J.</td>
<td>47, 101, 107, 108</td>
</tr>
<tr>
<td>Lo, A.</td>
<td>6, 10, 176, 178, 183, 184</td>
</tr>
<tr>
<td>Lockwood, Larry J.</td>
<td>279</td>
</tr>
<tr>
<td>Loh, R. K.</td>
<td>77</td>
</tr>
<tr>
<td>Lohre, H.</td>
<td>43, 45</td>
</tr>
<tr>
<td>Long-short hedge portfolio</td>
<td>174</td>
</tr>
<tr>
<td>Long-short strategy</td>
<td>91</td>
</tr>
<tr>
<td>Long/short strategy for institutional investors</td>
<td>167–170</td>
</tr>
<tr>
<td>Long-term reversal strategy</td>
<td>175, 195</td>
</tr>
<tr>
<td>Long-term reversals</td>
<td>173, 174, 184</td>
</tr>
<tr>
<td>Look-ahead basis</td>
<td>305</td>
</tr>
<tr>
<td>Looking ahead: survivor and restatement bias in backtesting</td>
<td>305</td>
</tr>
<tr>
<td>Lopes, B.</td>
<td>125, 126</td>
</tr>
<tr>
<td>Lorie, James H.</td>
<td>148, 149</td>
</tr>
<tr>
<td>Loss aversion</td>
<td>8</td>
</tr>
<tr>
<td>Loughran, T.</td>
<td>132, 137, 142, 255, 270, 275</td>
</tr>
<tr>
<td>Louvet, P.</td>
<td>232</td>
</tr>
<tr>
<td>Ludvigson, Sydney</td>
<td>16</td>
</tr>
<tr>
<td>Luksetich, W. A.</td>
<td>239–240</td>
</tr>
<tr>
<td>Lunde, A.</td>
<td>206</td>
</tr>
<tr>
<td>Lundholm, R.</td>
<td>98, 101</td>
</tr>
<tr>
<td>Luo, L.</td>
<td>219</td>
</tr>
<tr>
<td>Lys, T.</td>
<td>140</td>
</tr>
<tr>
<td>Ma, A.</td>
<td>254</td>
</tr>
<tr>
<td>Ma, C.</td>
<td>232</td>
</tr>
<tr>
<td>Maberly, E.</td>
<td>233</td>
</tr>
<tr>
<td>Mackinlay, A. Craig</td>
<td>6</td>
</tr>
<tr>
<td>Macroeconomic factors</td>
<td>198</td>
</tr>
<tr>
<td>Malkiel, Burton G.</td>
<td>177, 206</td>
</tr>
<tr>
<td>Malloy, C.</td>
<td>78</td>
</tr>
<tr>
<td>Mamaysky, H.</td>
<td>176, 178, 183, 184</td>
</tr>
<tr>
<td>Mandelbrot (1966), 2</td>
<td></td>
</tr>
<tr>
<td>Mandelkar, G.</td>
<td>141</td>
</tr>
<tr>
<td>Manipulation of surprise</td>
<td>102</td>
</tr>
<tr>
<td>Market impact</td>
<td>302</td>
</tr>
<tr>
<td>Market neutral position</td>
<td></td>
</tr>
<tr>
<td>when not to include</td>
<td>290–291</td>
</tr>
<tr>
<td>Market neutral processes</td>
<td>287–288</td>
</tr>
<tr>
<td>Market-timing hypothesis</td>
<td>132</td>
</tr>
<tr>
<td>Markowitz process</td>
<td>286, 287</td>
</tr>
<tr>
<td>Marsh, Terry A.</td>
<td>275</td>
</tr>
<tr>
<td>Marshall, B. R.</td>
<td>220</td>
</tr>
<tr>
<td>Martin, J. S.</td>
<td>192</td>
</tr>
<tr>
<td>Martin, Spencer</td>
<td>198</td>
</tr>
<tr>
<td>Mashruwala, C.</td>
<td>50</td>
</tr>
<tr>
<td>Masulis, R.</td>
<td>133</td>
</tr>
<tr>
<td>Matako, J.</td>
<td>165</td>
</tr>
<tr>
<td>McConnell, J. J.</td>
<td>219, 220</td>
</tr>
<tr>
<td>McKnight, P. J.</td>
<td>199</td>
</tr>
<tr>
<td>McLean, R. D.</td>
<td>143</td>
</tr>
<tr>
<td>McNichols, M.</td>
<td>66, 76</td>
</tr>
<tr>
<td>Mean return and the variance of return, 299</td>
<td></td>
</tr>
<tr>
<td>Measuring earnings surprises</td>
<td>99–102</td>
</tr>
<tr>
<td>Measuring post-earnings announcement drift, 95–96</td>
<td></td>
</tr>
<tr>
<td>Medium-term momentum</td>
<td>195</td>
</tr>
<tr>
<td>Medium-term momentum strategy</td>
<td>174</td>
</tr>
<tr>
<td>Mendenhall, R.</td>
<td>101, 105, 106, 108</td>
</tr>
<tr>
<td>Mergers and acquisitions</td>
<td>141–142</td>
</tr>
<tr>
<td>Merrill, A. A.</td>
<td>248</td>
</tr>
<tr>
<td>Merton, Robert C</td>
<td>14</td>
</tr>
<tr>
<td>Metrick, Andrew</td>
<td>150</td>
</tr>
<tr>
<td>Metrics, fundamental</td>
<td>118–122</td>
</tr>
<tr>
<td>Mian, G. M.</td>
<td>77</td>
</tr>
<tr>
<td>Michaely, R.</td>
<td>137</td>
</tr>
<tr>
<td>Miguel, Alberto De</td>
<td>165</td>
</tr>
<tr>
<td>Miller, R.</td>
<td>134</td>
</tr>
<tr>
<td>Mishkin, F.</td>
<td>52</td>
</tr>
<tr>
<td>Mispricing signals</td>
<td>3, 4</td>
</tr>
<tr>
<td>Misvaluation hypothesis</td>
<td>139</td>
</tr>
<tr>
<td>Mitchell, M.</td>
<td>136</td>
</tr>
<tr>
<td>Mohanam, P.</td>
<td>118, 120, 121, 122, 293</td>
</tr>
<tr>
<td>Momentum, 180, 190</td>
<td>described, 173</td>
</tr>
<tr>
<td>history of, 176–178</td>
<td></td>
</tr>
<tr>
<td>Momentum, as technical analysis anomaly</td>
<td>52-week high/low, 187–188</td>
</tr>
<tr>
<td>about, 173–176</td>
<td></td>
</tr>
<tr>
<td>assessing momentum and reversal in stock prices, 176–179</td>
<td></td>
</tr>
<tr>
<td>early influential work on momentum and reversals, 179–184</td>
<td></td>
</tr>
</tbody>
</table>
Momentum, as technical analysis anomaly (Continued)
explanations for momentum and reversals, 195–198
history of technical analysis and momentum, 176–178
improving upon momentum strategies, 184–186
institutional investors, 193–194
international evidence, 198–199
is technical analysis profitable, 190–193
momentum and mutual funds, 189–190
momentum at industry levels, 188–189
moving averages, 186–187
Momentum allergy, 181
Momentum and mutual funds, 189–190
Momentum and reversal in stock prices, 178–179
Momentum and reversals early influential work on, 179–184
explanations for, 195–198
Momentum at industry levels, 188–189
Momentum effect, 164
Momentum strategies, 195, 198
Momentum strategy, 179
Momentum traders, 195
Momentum-based trading, 194
Monday decline effect, 251
Moskowitz, Tobias, 188, 189, 279, 280
Mossin, Jan, 265
Motivation effect, 155n5
Moving average momentum strategy, 186–187
Moving averages, 186–187
Mutual funds, 109
Nagel, Stefan, 273
Nason, J. M., 206
Nasser, Tareque, 148
Negative autocorrelation, 180
Net purchase ratios (NPRs), 166
Net stock anomalies about, 129–130
debt issuances, 133–134
dividend initiation and omissions, 136–138
initial public offerings, 130–132
international evidence, 142–143
mergers and acquisitions, 141–142
other explanations for the abnormal returns, 143–144
overall net external financing, 138–141
private equity placement, 138
seasoned equity offerings, 132–133
share repurchases and tender offers, 134–136
Newswatchers, 195
Ng, J., 106
Ng, Lilian K., 164
Niederhoffer, Victor, 148, 149
Nimalendran, M., 86
Nissim, D., 40, 300
Nohria, N., 79, 84
Noma, M., 126
Noncash working capital. See Current operating assets, 29n1
Nonearnings-based strategies, 108
Nonparametric kernel regression, 183
Nonsurviving firms, 144
Norli, O., 133
Norton, Edgar A., 186
Novy-Marx, Robert, 16
Number of stocks in a quant portfolio, 300–301
Obama, Barack, 240
Odean, T., 8, 110
O’Higgins, M., 118
Ohlson, James, 16, 122
Ohlson O-score, 122, 123
Olsen, C., 96, 117
Olsson, P., 102
1-year holding periods, returns generated during, 154–155
O’Neal, Edward S., 188, 189
O’Neil, Bill, 295, 294
Open/close daily trade on the open, 254
Optimism cycle hypothesis, 223
O-score, 274–275
Ou, J., 119
Overall net external financing, 138–141
Overfitting, 119
Overreaction hypothesis, 278
Overview of insider filings, 148
Overview of the investment performance of forecast revisions, 87
Overview of the investment performance of recommendations, 81
Ovtchinnikov, A. V., 219, 220
Park, Seung-Chan, 186, 187
Pattern-recognition algorithm, 183
Pedersen, Lasse Heje, 279, 280
Pennman, S., 50, 119, 249, 270
Perote, Javier, 165
Persistence of drift, 97–99
Petkova, Ralitsa, 272
Index

Petracci, Barbara, 165
Petroni, Kathy R., 158
Peyer, U., 135, 136
Pincus, M., 43, 45
Pinder, S. M, 221
Piotroski, J., 118, 120, 121, 122, 126, 293
Piotroski score, 292, 293
Political effects
election cycles, 239–242
election cycles: other literature, 245–248
U.S. bond returns after presidential elections, 242–245
when congress is in session, 237–242
Polk, Christopher, 272
Pollet, J., 105
Pontiff, J., 143, 273
Positive autocorrelation, 180
Post-earnings announcement drift, 91
Post-earnings announcement drift and related anomalies
about, 91–92
the basics of the anomaly, 92–99
extensions, 106–107
individual investors, 110–112
institutional investors, 108–110
measuring earnings surprises, 99–102
sources of post-earnings announcement drift, 102–106
Post-earnings announcement drift, evidence on, 96–99
concentration of, around future earnings announcements, 99
persistence of, 97–99
temporal consistency of, 97
Post-earnings announcement drift (PEAD), 4, 137–138
Post-earnings announcement drift, sources of about, 102–106
behavioral explanations, 104–105
rational explanations, 103–104
transaction costs, 105–106
Post-loss/profit drift, 107
Poterba, James M., 180
Practical implications, 51–52
Presidential investment strategies, 244–245
Presidents’ day, 226
Price-to-earnings ratio, 269
Private debt, 134
Private equity placement, 138
Pro forma earnings, 102
Pro forma earnings forecasts, 100
Production-based models, 15–16
Prospect theory, 195
Pruitt, Stephen, 177
Psychological biases, 2, 196
Puckett, A., 80
Purvis, R., 165
Purnanandam, A., 131
Q-theory hypothesis, 49
Quant portfolio, 285–286
Radhakrishna, B., 110
Radhakrishnan, S, 104
Raedy, J. S., 106
Ragopal, S., 43, 45, 49, 50
Ramadan, 230–231
Ramadorai, T., 109
Ramalingegowda, S., 108, 109
A Random Walk Down Wall Street (Malkiel), 177
Rational explanations, 103–104
Rational structural uncertainty, 7–8
Rau, P. R., 142
Ready, M., 192
Reagan, Ronald, 247
Recommendation profitability, evidence on, 65–78
influence of analyst and brokerage house characteristics, 76–78
influence of firm characteristics, 66–76
Recommendation strategies determinants of, 78–79
returns of, 87
trading on, 79–80
Rees, L., 138
Reid, Gavin C., 177
Reid, Kenneth, 266
Reilly, Frank K., 186
Reinganum, M., 205, 266
Relation to other anomalies, 163–164
Rendon, J., 207, 212
Republican administrations, 240
Research design issues, 47
Residual-income model, 64n1
Restatement bias, 305
Results for the 1978–2005 period, 150–152
Return models, 12
Return spread, 95
Returns in small cap companies versus large cap companies, 155–156
Reversal strategy, 179
Rhea, Robert, 177
Richards, Scott, 13
Richardson, S. A., 39, 40, 41, 41n3, 43, 48, 55, 55n7, 102, 106, 139, 140, 270
Riley, W. B., 240
<table>
<thead>
<tr>
<th>Page 332</th>
</tr>
</thead>
</table>

Index

Riley, W. B., Jr., 239–240
Rind, B., 255
Risk adjusted anomaly return, 300
Risk adjusted return, described, 299
Risk and expected-return models
  arbitrage pricing theory, 14–15
  capital asset pricing model, 13
  firm-specific expected return estimates, 16
  implied cost of capital, 16–17
  intertemporal capital asset pricing model, 14
  production-based models, 15–16
Risk factors, 16, 104
Risk mismeasurement, 5–6
Risk model
  described, 299
  mean return and the variance of return, 299
  response to, 299–300
Risk or mispricing value anomaly, 267–269
Risk premium, 11
Risk-adjusted returns, 3
Risk-based explanations, 46–47
Ritter, J., 129, 130, 131, 132, 137
Rogalski, R., 231
Role of research analysts, 63–64
Roll, R., 9, 13, 15, 255
Rolling portfolio method, 154n4
Rosenberg, Barr, 266
Rosh Hashanah anomaly, 229
Ross, S., 7, 13, 14, 15, 206
Rouwenhorst, K., 198, 199, 279
Rozef, M. S., 206
Runde, R., 255
Rusticus, T., 106
Bytchkov, Oleg, 272
S&P 500 returns prediction, 165–166
Sabino, J., 144
Sadka, G., 106
Sadka, R., 104, 106, 192, 193
Salm, C. A., 221
Same month next year effect, 224–225
Samuelson (1965), 2
Santa-Clara, P., 99, 101
Santicchia, M., 47
Sapp, Travis, 189, 190
Sarbanes-Oxley Act, 149, 155, 166, 167, 170
Saunders, E. M., Jr., 255
Savin, N. E., 275
Schaefer, E. George, 177
Schiereck, D., 199
Schill, David, 191, 192
Schill, M. J., 41n3, 48n5, 124
Schipper, K., 102
Schultz, P., 132, 255, 275
Schwartz, A., 109
Schwartz, S. L., 232, 234
Schwert, G. W., 7, 129, 135, 141, 142, 275
Scoring systems, 295–296
Seasonal affective disorder (SAD)
  hypothesis, 223
Seasonal anomalies
  about, 205–206
  conclusions, 256
  day of the week effects, 234–234
  holiday effects, 225–231
  January barometer, 213–221
  January effect, 206–213
  open/close daily trade on the open, 254
  political effects, 237–248
  sell-in-May-and-go-away effect, 221–224
  turn-of-the-month effects, 248–253
  weather effects, 255
Seasonal rankings, 236–237
Seasoned equity offerings, 132–133
SEC Rule 10b5-1, 157–158
Security Analysis (Graham and Dodd), 266
Selection bias, 7
Sell on Rosh Hashanah and buy on Yom Kippur anomaly, 229
Sell-in-May-and-go-away effect, 221–225
Sen, P. K., 208
Serafeim, G., 9, 66, 79, 84
Seyhun, H. Nejat, 149, 165
Shanthikumar, D., 66
Share repurchases, 134–136
Sharpe, William, 13, 265
Shevlin, T., 50, 96, 117
Shi, L., 42, 45
Shi and Jhang, 54
Shiller, Robert, 9
Shivakumar, L., 97, 103, 106, 108, 198
Shleifer, Andrei, 9, 267, 274
Short sales, 8
Short side strategy, 156–160
Short-term momentum, 181
Short-term momentum strategy, 174
Shu, T., 109, 273, 274
Shumaker, Robert D., 272
Shumway, T., 255
Sias, Richard W., 162
Sick, G., 248, 249
Size and value anomalies
  alternative value indicators, 269–270
  anatomy of the size anomaly, 275–278
  cross-sectional variation in the value premium, 273–275
  the early days, 265–266
  Fama-French three-factor model, 266
Index

international evidence, 278–279
time variation in value premium, 270–272
value anomaly: risk or mispricing,
267–269
value premium: evidence from alternative
asset classes, 279–281
Size anomaly, 266
Size effect, 163, 164, 207, 275, 279
Size premium, 275, 276
Slinkman, C. W., 239
Sloan (1996), basic tests and results,
32–38
Sloan (1996), extensions of, 38–45
the accrual anomaly around the world,
43–45
do sophisticated financial intermediaries
use information in accruals, 39–40
investigation of subsequent events
following extreme accruals, 42–43
using a broader definition of accruals,
40–41
where is the accrual anomaly strongest,
41–42
Sloan, R. G., 23, 24, 26, 27, 29, 30, 32, 38,
39, 40, 41, 41n3, 43, 46, 48, 50, 52, 55,
55n7, 139, 140
Small cap effect, 231
Small minus big (SMB), 47
Small vs. large stock returns, 245
SMB factors, 267
Smidt, S., 205, 225, 231, 248
Smith, D. C., 165
So, R. W., 165
Social networks, 78
Sokobin, J., 194
Soliman, M. T., 37, 40, 41, 41n3, 43, 48, 50,
55, 98, 101, 124, 125
Sorensen, E., 272
Spieks, K., 132, 133, 134
Spread, 15
Spread trade, 211, 212
Stafford, E., 9, 136
Stambaugh, R. F., 233
Stambaugh, R. R., 205, 207
Stambaugh, Robert, 13
Statistical reliability, 6
Stattman, Dennis, 266
Stein, Jeremy, 182, 183, 191, 195, 196, 197
Stephan, J., 208
Stickel, S., 82
Stickle, S., 293
Stock Market Barometer (Dow), 177
Stock scoring systems to outperform indexes
academic stock scoring systems for value
and growth, 292–293, 292–296
commercial stock scoring systems, 293
effectiveness of, 295–296
Stoll, H. R., 211
Stovall, R. 245
Straight debt, 133–134
Strong, N., 199
Subrahmanyam, Avanidhar, 196
Sullivan, R., 206, 211, 233
Summers, Lawrence H., 180
Sunder, J., 77
Sunder, S. V., 77
Sunshine effect, 255
Survivor bias, 305
Swaminathan, B., 16, 40, 131, 197
Szilagyi, J., 122, 123
Tabell, Anthony, 177
Tabell, Edmund, 177
Tactical asset allocation, 292
Taylor, D., 102, 105, 110
Technical analysis, 173
history of, 176–178
profitability of, 190–193
Temporal consistency of drift, 97
Tender offers, 134–136
Teoh, S., 37, 41, 46, 47, 49, 102, 105, 131
Thaler, Richard, 9, 137, 178, 179, 180, 181,
182, 205
Stock Trader's Almanac, 205–206, 213
Thiagarajan, S., 119
Thomas, J., 41, 43, 97, 98, 99, 104, 117
Time variation in value premium, 270–272
Timmerman, A., 206, 211, 233
Titman, Sheridan, 123, 125, 178, 181, 182,
183, 184, 185, 186, 187, 188, 189, 190,
191, 192, 194, 197, 199, 225, 267, 274,
275
Tong, W., 198
Tonks, L., 165
Topaloglu, S., 109
Tortoriello, R., 119, 122
Total accruals (TACC), 55
Tourani-Rad, Alireza, 165
Trading costs, 301–303
bid-ask spread, 302
brokerage commissions, 302–303
market impact, 302
Trading philosophy, 293
Transaction costs, 8, 105–106, 190–193,
302–303
Trombly, M. A., 255, 273
Trueman, B., 66, 76, 77
Tsai, Gerald, 177
Tuna, L., 40, 41, 41n3, 43, 48, 55, 106, 270
Turn of the year (TOY), 211
Index

Turn-of-the-month effects, 248–253
Tversky, A., 195

U.S. bond returns after presidential elections
about, 242–245
remarks, 245
some simple presidential investment
strategies, 244–245

Value anomaly, 266
risk or mispricing, 267–269
Value Line earnings, 100n5
Value premium, 272
cross-sectional variation, 273–275
evidence from alternative asset classes,
279–281
Value stocks, 266
VALUELINE, 293
Van Dijk, R., 199
Vassalou, Maria, 15, 185, 186, 268, 275
Veeraraghavan, Madhu, 165
Vega, C., 105
Venkatachalam, M., 45, 45, 49, 99, 101
Verdi, R., 106
Vermaelen, T., 134, 135, 136, 142
Vijh, A., 142
Vishny, Robert W., 267, 274
Vliet, Pim Van, 280
Vuolteenaho, Tuomo, 14, 272

Wachter, J. A., 109
Wahal, S., 194
Wall Street Journal, 176
Wallman, Steve, 303
Walter, Andreas, 164
Wang, J., 176, 178, 183, 184
Wang, K., 231
Wang, Qinghai, 164
Wasley, C., 47, 54
Watanabe, A., 143
Watts, R. L., 103n7, 104
“The Wave Principle” (Elliot), 177
Wealth transfer hypothesis, 139
Weather effects, 255
Weber, M., 199
Weekend effect, 233
Wei, K., 199
Welch, I., 131, 267
Weller, Paul, 196
Wellman, Jay W., 270
Wermers, R., 194
Wessels, Roberto E., 279
Westerfield, R., 232

Whaley, R. E., 211
Whidbee, David A., 162
Whisenant, J. S., 48, 48n5
White, H., 206, 211, 235
White, Robert, 177
Window dressing, 193
Wisniewski, T. P., 165, 230, 231
Witte, H. D., 237, 239
Womack, K., 137
Wong, T. J., 131
Wong, W. K., 199
Wurgler, J., 109, 132
Wysocki, P., 102, 106
Wytenbach, Daniela, 165

Xie, F., 123, 125
Xie, H., 42, 48
Xing, Yuhang, 15, 268, 272, 275
Xinzhong, Xu, 199
Xiuqing Ji, 198

Yan, Xuemin, 184, 185
Yang, G., 66
Yang, Y., 77n2
Yao, T., 40
Year by year anomaly consistency,
152–154
Yohn, T. L., 48, 48n5
Yu, T., 40
Yuan, K., 255

Zach, T., 140, 144
Zacks, 95, 297
Zacks, L., 82, 294
Zacks rank, 294–295
Zaher, Tarek S., 279
Zeckhauser, Richard, 150
Zero investment portfolio, 149n1
Zhang, H., 41, 42, 43, 45, 48n5
Zhang, Lu, 16, 268, 269, 272
Zhang, X.-J., 50
Zhang, Y., 41, 148
Zheng, L., 255
Zhou, Chunshe, 191, 192
Zhu, N., 110
Zhu, Q., 255
Ziemba, R. E. S., 206
Ziemba, W. T., 205, 206, 207, 211, 212, 213,
219, 221, 226, 232, 234, 235, 237, 240,
245, 248, 249, 250, 298n10
Zingg, Andreas, 165
Z-score, 208
Zweig, M., 225