

Encyclopedia of Finance

TABLE OF CONTENTS

PREFACE	xiii
LIST OF CONTRIBUTORS	xv
PART I: TERMINOLOGY AND ESSAYS	1
<i>Cheng-Few Lee, Rutgers University, USA</i>	
<i>Alice C. Lee, San Francisco State University, USA</i>	
PART II: PAPERS	297
1. Deposit Insurance Schemes	299
<i>James R. Barth, Auburn University and Milken Institute, USA</i>	
<i>Cindy Lee, China Trust Bank, USA</i>	
<i>Triphon Phumiwasana, Milken Institute, USA</i>	
2. Gramm-Leach-Bliley Act: Creating a New Bank for a New Millennium	307
<i>James R. Barth, Auburn University and Milken Institute, USA</i>	
<i>John S. Jahera, Auburn University, USA</i>	
3. Comparative Analysis of Zero-coupon and Coupon-pre-funded Bonds	314
<i>A. Linda Beyer, Alaska Supply Chain Integrators, USA</i>	
<i>Ken Hung, National Dong Hwa University, Taiwan</i>	
<i>Suresh C. Srivataava, University of Alaska Anchorage, USA</i>	
4. Intertemporal Risk and Currency Risk	324
<i>Jow-Ran Chang, National Tsing Hua University, Taiwan</i>	
<i>Mao-Wei Hung, National Taiwan University, Taiwan</i>	
5. Credit Derivatives	336
<i>REN-RA W CHEN, Rutgers University, USA</i>	
<i>Jing-Zhi Huang, Penn State University, USA</i>	
6. International Parity Conditions and Market Risk	344
<i>Thomas C. Chiang, Drexel University, USA</i>	
7. Treasury Inflation-Indexed Securities	359
<i>Quentin C. Chu, University of Memphis, USA</i>	
<i>Deborah N. Pittman, Rhodes College, USA</i>	

TABLE OF CONTENTS

8. Asset Pricing Models	364
<i>Wayne E. Ferson, Boston College, USA</i>	
9. Conditional Asset Pricing	376
<i>Wayne E. Ferson, Boston College, USA</i>	
10. Conditional Performance Evaluation	384
<i>Wayne E. Ferson, Boston College, USA</i>	
11. Working Capital and Cash Flow	393
<i>Joseph E. Finnerty, University of Illinois, USA</i>	
12. Evaluating Fund Performance within the Stochastic Discount Factor Framework	405
<i>/s. Jonathan Fletcher, University of Strathclyde, UK</i>	
13. Duration Analysis and Its Applications	415
<i>Iraj J. Fooladi, Dalhousie University, Canada</i>	
<i>Gady Jacoby, University of Manitoba, Canada</i>	
<i>Gordon S. Roberts, York University, Canada</i>	
14. Loan Contract Terms	428
<i>Aron A. Gottesman, Pace University, USA</i>	
15. Chinese A and B Shares	435
<i>Yan He, Indiana University Southeast, USA</i>	
16. Decimal Trading in the U.S. Stock Markets	439
<i>Yan He, Indiana University Southeast, USA</i>	
17. The 1997 Nasdaq Trading Rules	443
<i>Yan He, Indiana University Southeast, USA</i>	
18. Reincorporation	447
<i>Randall A. Heron, Indiana University, USA</i>	
<i>Wilbur G. Lewellen, Purdue University, USA</i>	
19. Mean Variance Portfolio Allocation	457
<i>Cheng Hsiao, University of Southern California, USA</i>	
<i>Shin-Huei Wang, University of Southern California, USA</i>	
20. Online Trading	464
<i>Chang-Tseh Hsieh, University of South Mississippi, USA</i>	

TABLE OF CONTENTS

21. A Note on the Relationship among the Portfolio Performance Indices under Rank Transformation	470
<i>Ken Hung, National Dong Hwa University, Taiwan</i>	
<i>Chin-Wei Yang, Clarion University, USA</i>	
<i>Dwight B. Means, Jr., Consultant, USA</i>	
22. Corporate Failure: Definitions, Methods, and Failure Prediction Models	477
<i>Jenifer Piesse, University of London, UK and University of Stellenbosch, South Africa</i>	
<i>Cheng-Few Lee, National Chiao Tung University, Taiwan and Rutgers University, USA</i>	
<i>Hsien-chang Kuo, National Chi-Nan University and Takming College, Taiwan</i>	
<i>Lin Lin, National Chi-Nan University, Taiwan</i>	
23. Risk Management	491
<i>Thomas S. Y. Ho, Thomas Ho Company, Ltd., USA</i>	
<i>Sang Bin Lee, Hanyang University, Korea</i>	
24. Term Structure: Interest Rate Models	501
<i>Thomas S. Y. Ho, Thomas Ho Company, Ltd., USA</i>	
<i>Sang Bin Lee, Hanyang University, Korea</i>	
25. Review of REIT and MBS.	512
<i>Cheng-Few Lee, National Chiao Tung University, Taiwan and Rutgers University, USA</i>	
<i>Chiuling Lu, Yuan Ze University, Taiwan</i>	
26. Experimental Economics and the Theory of Finance.	520
<i>Haim Levy, Hebrew University, Israel</i>	
27. Merger and Acquisition: Definitions, Motives, and Market Responses.	541
<i>Jenifer Piesse, University of London, UK and University of Stellenbosch, South Africa</i>	
<i>Cheng-Few Lee, National Chiao Tung University, Taiwan and Rutgers University, USA</i>	
<i>Lin Lin, National Chi-Nan University, Taiwan</i>	
<i>Hsien-Chang Kuo, National Chi-Nan University and Takming College, Taiwan</i>	

TABLE OF CONTENTS

28. Multistage Compound Real Options: Theory and Application ...	555
<i>William T. Lin, Tamkang University, Taiwan a</i>	
<i>Cheng-Few Lee, National Chiao Tung University, Taiwan</i>	
<i>and Rutgers University, USA</i>	
<i>Chang-Wen Duan, Tamkang University, Taiwan</i>	
29. Market Efficiency Hypothesis	585
<i>Melody Lo, University of Southern Mississippi, USA</i>	
30. The Microstructure/Micro-finance Approach to Exchange Rates	591
<i>Melody Lo, University of Southern Mississippi, USA</i>	
31. Arbitrage and Market Frictions	596
<i>Shashidhar Murthy, Rutgers University, USA</i>	
32. Fundamental Tradeoffs in the Publicly Traded Corporation	604
<i>Joseph P. Ogden, University at Buffalo, USA</i>	
33. The Mexican Peso Crisis	610
<i>Fai-Nan Perng, The Central Bank of China, Taiwan</i>	
34. Portfolio Performance Evaluation	617
<i>Lalith P. Samarakoon, University of St. Thomas, USA</i>	
<i>Tanweer Hasan, Roosevelt University, USA</i>	
35. Call Auction Trading	623
<i>Robert A. Schwartz, Baruch College, USA</i>	
<i>Reto Francioni, Swiss Stock Exchange, Switzerland</i>	
36. Market Liquidity	630
<i>Robert A. Schwartz, City University of New York, USA</i>	
<i>Lin Peng, City University of New York, USA</i>	
37. Market Makers	634
<i>Robert A. Schwartz, City University of New York, USA</i>	
<i>Lin Peng, City University of New York, USA</i>	
38. Structure of Securities Markets	638
<i>Robert A. Schwartz, City University of New York, USA</i>	
<i>Lin Peng, City University of New York, USA</i>	
39. Accounting Scandals and Implications for Directors: Lessons from Enron	643

TABLE OF CONTENTS

Pearl Tan, Nanyang Technology University, Singapore
Gillian Yeo, Nanyang Technology University, Singapore

40. Agent-Based Models of Financial Markets	649
<i>Nicholas S. P. Tay, University of San Francisco, USA</i>	
41. The Asian Bond Market	655
<i>Khairy Tourk, Illinois Institute of Technology, USA</i>	
42. Cross-Border Mergers and Acquisitions	664
<i>Geraldo M. Vasoncellos, Lehigh University, USA</i> <i>Richard J. Kish, Lehigh University, USA</i>	
43. Jump Diffusion Model	676
<i>Shiu-Huei Wang, University of Southern California, USA</i>	
44. Networks, Nodes, and Priority Rules	689
<i>Daniel G. Weaver, Rutgers University, USA</i>	
45. The Momentum Trading Strategy	700
<i>K.C. John Wei, Hong Kong University of Science and Technology, Hong Kong</i>	
46. Equilibrium Credit Rationing and Monetary Non Neutrality in a Small Open Economy	705
<i>Ying Wu, Salisbury University, USA</i>	
47. Policy Coordination between Wages and Exchange Rates in Singapore	715
<i>Ying Wu, Salisbury University, USA</i>	
48. The Le Chatelier Principle of the Capital Market Equilibrium	724
<i>Chin-Wei Yang, Clarion University of Pennsylvania, USA</i> <i>Ken Hung, National Dong Hwa University, Taiwan</i> <i>John A. Fox, The Fox Consultant Incorporated, USA</i>	
49. MBS Valuation and Prepayments	729
<i>C. H. Ted Hong, BeyondBond Inc., USA</i> <i>Wen-Ching Wang, Robeco Investment Management, USA</i>	
50. The Impacts of IMF Bailouts in International Debt Crises	744
<i>Zhaohui Zhang, Long Island University, USA</i> <i>Khondkar E. Karim, Rochester Institute of Technology, USA</i>	

TABLE OF CONTENTS

PART III: APPENDIX	751
<i>Cheng-Few Lee, Rutgers University, USA</i>	
<i>Alice C. Lee, San Francisco State University, USA</i>	
APPENDIX A. Derivation of Dividend Discount Model	753
APPENDIX B. Derivation of DOL, DFL AND DCL	755
APPENDIX C. Derivation of Crossover Rate	757
APPENDIX D. Capital Budgeting Decision with Different Lives ...	759
APPENDIX E. Derivation of Minimum-Variance Portfolio	761
APPENDIX F. Derivation of an Optimal weight Portfolio using the Sharpe Performance Measure	763
APPENDIX G. Applications of the Binomial Distribution to Evaluate Call Options	767
PART IV: REFERENCES	773
PART V: INDEX	815
Subject Index	817
Author Index	843