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Our Spring issue opens with a Commentary by Muhtaseb who suggests that the Mutual Fund industry, its regulators and its clients could learn many lessons from the hedge fund industry. This is followed by Bhattacharya, Sheikh and Thiagarajan who investigate the characteristics and information content of whisper forecasts of earnings. They examine whether whisper forecasts are more optimistic, on average, than consensus analyst forecasts and how the market perceives whisper forecasts as compared to consensus analyst forecasts. The results indicate that whisper forecasts are more optimistic, on average, than consensus analyst forecasts. Brown and Luo examine the "January barometer," which traditionally has meant that "as goes January, so goes the rest of the year." Although empirical literature does not back this up, they compared the "January barometer" with other calendar month "barometers," to demonstrate that the signs of January returns are superior predictors of the stock market for the next 12 months.

Next we have Bagnoli, Levine, and Watts who examine trading strategies based on clusters of analysts' earnings, estimate revisions and their triggering corporate information events (CIEs), and conclude that the profitability of long and short positions depends on the nature of triggering event as well as the sign of price movements at the beginning of the cluster. Guerard and Takano update their stock selection models are updated through 2001 using a similar Japanese-only database. They find that the effectiveness of these quantitative models has not lessened during the 1992-2003 period. Antia and Pantzalis look at security analyst incentives and quality of analyst generated information and conclude that it would serve investors well to distinguish between high quality and low quality analyst forecasts and recommendations. When the lead/lag relationship between the variation of the 10 primary sector indexes with market returns and market volatility is examined, Ratner, Meric, and Meric, find that dispersion is an effective predictor of bear market volatility as well as bull market and bear market returns.

The potential benefits of holding multiple mutual funds with the same fund objective are investigated by Louton and Saraoglu. Their results indicate that, with the exception of money market funds, it takes five to six mutual funds to reduce the variability of terminal wealth significantly regardless of fund objective. Shawky and Li document a significant relationship between a fund's performance in one period and its asset growth in the next period for small cap growth and value funds. Haslem and Scheraga apply Data Envelopment Analysis (DEA) to the Morningstar 500's small-cap mutual funds to identify those that are efficient or inefficient in a production theory sense.

We conclude this issue with a special section on Foreign Exchange with a Forex outlook for 2006, an examination of how corporations deal with FX risk and an investigation of the value that can be added with currency overlay.

As always, we hope you find the articles presented useful and thought provoking. We welcome your comments and suggestions. You can email us at journals@investmentresearch.org.

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