

From the Editor

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Volume 6, Number 1, is the first quarterly issue of *Financial Services Review (FSR)*. It is an important move because the journal will now adhere to a standard academic publication schedule. This issue represents the culmination of many hours of hard work over an extended period of time by many members of the **Academy of Financial Services (AFS)**.

It is very fitting that the lead article is written by Frank K. Reilly, a Past-President of AFS (1990-1991) and a long-time active participant in the organization. His article entitled, "The Impact of Inflation on ROE, Growth and Stock Prices" examines the detrimental effect of inflation on stock returns and changes in the ROE during the last 40 years. He provides readers with a clear visual picture that shows that total asset turnover and net profit margins have declined while financial leverage has increased.

"The Congressional Calendar and Stock Market Performance" by Reinhold P. Lamb, K.C. Ma, R. Daniel Pace, and William F. Kennedy reveals an unusual calendar effect. Their sample period is 97 years from 1897 to 1993 and focuses on the Dow Jones Industrial Average to measure returns. They find a statistically significant positive return for investors when Congress is *not* in session, and this finding is not explained by the January effect.

The article by Robert L. Albert Jr., Timothy R. Smaby, and H. David Robison is entitled "Short Selling and Trading Abuses on Nasdaq." It tests the effect of short selling on the Nasdaq market compared to short selling on the NYSE/AMEX markets. They find that short sellers earn significant abnormal returns by selling into rising markets and do not exacerbate price drops. Further, they suggest that recent regulatory changes in short selling on the Nasdaq market may not be appropriate.

Financial planners will be able to share the article "Financial Planning and College Saving Recommendations: Let's Set Things Straight" with their clients. Thomas H. Eysell examines standard tables that show the cost of college and the savings necessary to fund a child's education. These tables appear to overstate the amount that parents must save for college. Additionally, a series of tables provide for different asset allocations and assumptions about the growth rates for tuition rates in the future.

O. Felix Ayadi in his article, "Adverse Selection, Search Costs and Sticky Credit Card Rates" examines the sensitivity of credit card rates to the costs of funds in the United States. He estimates that credit card rates adjust at a rate of 15 percent per quarter.

The review feature examines two personal financial books—one a textbook by Gitman and Joehnk called *Personal Financial Planning* that is reviewed by Sue Greinger, and the other is a book intended for the general public by Eisenberg called *The Money*

Book of Personal Finance that is reviewed by Doug Kahl. In addition, John Grable reviews the Merrill Lynch web site, and Robert L. Albert Jr. reviews the Charter Media's web site.