



Investors' optimal response to stock price bubbles

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Grin Verlag Gmbh Grin Verlag. Taschenbuch. Book Condition: Neu. 210x148x2 mm. This item is printed on demand - Print on Demand Titel. - Bachelor Thesis from the year 2013 in the subject Business economics - Investment and Finance, grade: 8.0, Maastricht University, language: English, comment: Report contains a very complete literary review on bubbles. Capstone question on optimal investment strategies is addressed in the conclusion of the paper. , abstract: According to the efficient market hypothesis there should not be an asset overvaluation. Nevertheless, bubbles appear from time to time in the real world. In a financial bubble, the price of a security deviates grossly from its fundamental intrinsic value (Watanabe, Takayasu & Takayasu, 2007). Fundamentals or fundamental value refer to economic variables such as discount rates or future cash flows (Siegel, 2003). Depending on the valuation technique one can define an asset's intrinsic or fundamental value, based on economic variables and assumed growth. A financial bubble is defined as a price run-up, where an initial price rise generates positive expectations of higher future prices, which attracts new buyers that are rather interested in reaping profits by trading the assets than using its earnings capacity (Siegel, 2003). There is...



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