



# Analyzing the Influences of Passive Investment Strategies on Financial Markets via Agent-Based Modeling

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## Abstract

This chapter develops an agent-based model to analyze microscopic and macroscopic links between investor behaviors and price fluctuations in a financial market. This analysis focuses on the effects of Passive Investment Strategy in a financial market. From the extensive analyses, we have found that (1) Passive Investment Strategy is valid in a realistic efficient market, however, it could have bad influences such as instability of market and inadequate asset pricing deviations, and (2) under certain assumptions, Passive Investment Strategy and Active Investment Strategy could coexist in a Financial Market.

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