



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

Hiroshi Takahashi, Satoru Takahashi, Takao Terano

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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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Table of Contents	View Full PDF (/pdf.aspx?tid=144962&ptid=919&ctid=15&t=Table of Contents&isxn=9781599045221)
Detailed Table of Contents	View Full PDF (/pdf.aspx?tid=144963&ptid=919&ctid=15&t=Detailed Table of Contents&isxn=9781599045221)
Preface	View Full PDF (/pdf.aspx?tid=144964&ptid=919&ctid=15&t=Preface&isxn=9781599045221)
Chapter 1 Fairness, Commitment, and Inequality (/chapter/fairness-commitment-inequality/29250) (pages 1-12) István Back	Preview Chapter (/viewtitlesample.aspx?id=29250&ptid=919&t=Fairness, Commitment, and Inequality&isxn=9781599045221) Download This Chapter OnDemand \$37.50 Add to Cart
Chapter 2 Taxpayer Compliance Simulation: A Multi-Agent Based Approach (/chapter/taxpayer-compliance-simulation/29251) (pages 13-25) Kim M. Bloomquist	Preview Chapter (/viewtitlesample.aspx?id=29251&ptid=919&t=Taxpayer Compliance Simulation: A Multi-Agent Based Approach&isxn=9781599045221) Download This Chapter OnDemand \$37.50 Add to Cart

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Cooperation as the Outcome of a Social Differentiation Process in Metamimetic Games (/chapter/cooperation-outcome-social-differentiation-process/29252) (pages 26-42)

David Chavalarias

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Probability Distribution Dynamics Explaining Agent Model Convergence to Extremism (/chapter/probability-distribution-dynamics-explaining-agent/29253) (pages 43-60)

Guillaume Deffuant, Gérard Weisbuch

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Artificial Science: A Simulation to Study the Social Processes of Science (/chapter/artificial-science-simulation-study-social/29254) (pages 61-67)

Bruce Edmonds

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(/viewtitlesample.aspx?id=29254&ptid=919&t=Artificial Science: A Simulation to Study the Social Processes of Science&isxn=9781599045221) **OnDemand \$37.50**
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Chapter 6

Understanding Tag Systems by Comparing Tag Models (/chapter/understanding-tag-systems-comparing-tag/29255) (pages 68-80)

David Hales

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Chapter 7

Effects of Land Markets on Competition Between Innovators and Imitators in Land Use: Results from FEARLUS-ELMM (/chapter/effects-land-markets-competition-between/29256) (pages 81-97)

J. Gary Polhill, Dawn C. Parker, Nicholas M. Gotts

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(/viewtitlesample.aspx?id=29256&ptid=919&t=Effects of Land Markets on Competition Between Innovators and Imitators in Land Use: Results from FEARLUS-ELMM&isxn=9781599045221) **OnDemand \$37.50**
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Introducing Social Issues into a Minority Game by Using an Agent Based Model (/chapter/introducing-social-issues-into-minority/29257) (pages 98-114)

Marco Remondino, Alessandro Cappellini

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Chapter 9

Probabalistic Inference for Actor Centered Models (/chapter/probabalistic-inference-actor-centered-models/29258) (pages 115-125)

Gero Schwenk

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Chapter 10

Learning to be Altruistic (/chapter/learning-altruistic/29259) (pages 126-137)

Gennaro Di Tosto

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Chapter 11

Modelling of Water Use Decisions in a Large, Spacially Explicit, Coupled Simulation System (/chapter/modelling-water-use-decisions-large/29260) (pages 138-149)

Andreas Ernst, Carsten Schulz, Nina Schwarz

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Chapter 12

Mechanisms of Automated Formation and Evolution of Social-Groups: A Multi-Agent System to Model the Intra-Urban Mobilities of Bogotá City (/chapter/mechanisms-automated-formation-evolution-social/29261) (pages 151-168)

Javier Gil-Quijano

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(/viewtitlesample.aspx?id=29261&ptid=919&t=Mechanisms of Automated Formation and Evolution of Social-Groups: A Multi-Agent System to Model the Intra-Urban Mobilities of Bogotá City&isxn=9781599045221) **\$37.50**
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The Role of Risk Aversion and Technical Trading in the Behaviour of Financial Markets (/chapter/role-risk-aversion-technical-trading/29262) (pages 169-179)

José Antonio Pascual

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Chapter 14

Emissions Permits Auctions: An Agent Based Model Analysis (/chapter/emissions-permits-auctions/29263) (pages 180-191)

Marta Posada

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Chapter 15

Intergovernmental Negotiations: Peer Coordination in Intergovernmental Policy Networks (/chapter/intergovernmental-negotiations-peer-coordination-intergovernmental/29264) (pages 192-206)

Nicole J. Saam, David Sumpter

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Chapter 16

Regional Policy Hints from Heterogeneous Agents Simulation (/chapter/regional-policy-hints-heterogeneous-agents/29265) (pages 207-223)

M. Salzano

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Chapter 17

Analyzing the Influences of Passive Investment Strategies on Financial Markets via Agent-Based Modeling (/chapter/analyzing-influences-passive-investment-strategies/29266) (pages 224-238)

Hiroshi Takahashi, Satoru Takahashi, Takao Terano

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Chapter 18

Exploring the Effects of Campaigning Strategies for the Organisation of Collective Action Using Empirical Data (/chapter/exploring-effects-campaigning-strategies-organisation/29267) (pages 239-251)

Robert Tobias

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Chapter 19

Examining the Myth of Money with Agent-Based Modelling (/chapter/examining-myth-money-agent-based/29268) (pages 252-263)

Satoru Yamadera

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Chapter 20

Friends and Buffaloes: One Game, Two Modelling Processes (/chapter/friends-buffaloes-one-game-two/29269) (pages 265-279)

Stanislas Boissau, François Sempé, Alain Boucher, Alexis Drogoul

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Chapter 21

The Evolution of Coworker Networks: An Experimental and Computational Approach (/chapter/evolution-coworker-networks/29270) (pages 280-293)

Arianna Dal Forno

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Chapter 22

Modelling Knowledge Production and Integration in Working Environments (/chapter/modelling-knowledge-production-integration-working/29271) (pages 294-310)

Piergiuseppe Morone, Richard Taylor

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Chapter 23

Stress and Expectation in Double-Auction Market: Simulations to Study Models Deduced from Experimental Economics (/chapter/stress-expectation-double-auction-market/29272) (pages 311-322)

Juliette Rouchier, Stephane Robin

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Chapter 24

Stakeholder Participation in Investigating the Impact of E-Commerce Upon the Value Chain (/chapter/stakeholder-participation-investigating-impact-commerce/29273) (pages 323-341)

Richard Taylor

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Index

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