Asset Pricing and Intrinsic Values: A Review Essay

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The efficient markets hypothesis has dominated modern research on asset prices. Asset prices and their intrinsic values differ in inefficient financial markets but difficulties in the measurement of intrinsic value greatly complicate market efficiency tests. Reflections on the measurement of intrinsic value provide insight into the interpretation of existing evidence and suggestions for generating new evidence on market efficiency. This review essay on the state of knowledge about market efficiency focuses on "A Reappraisal of the Efficiency of Financial Markets", analyzing the research areas from this perspective: (1) short-run stock return predictability; (2) asset pricing anomalies; and (3) excess volatility and present value relations.

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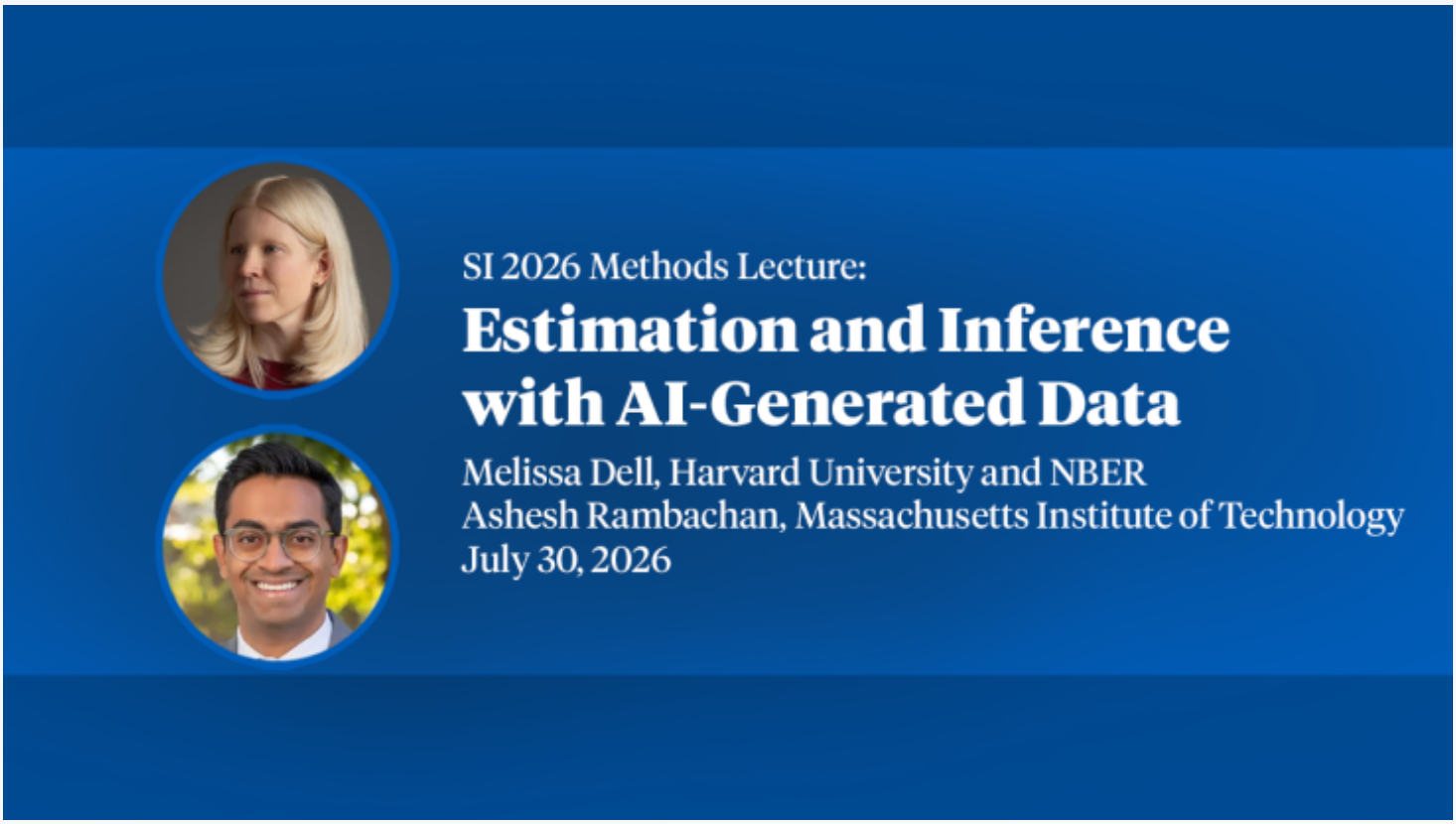


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