Journal of Behavioral Finance ›
Volume 8, 2007 - Issue 3

Original Articles

Answering Financial Anomalies: Sentiment-Based Stock Pricing

Edward R. Lawrence, George McCabe & Arun J. Prakash

Pages 161-171 | Published online: 05 Dec 2007

66 Cite this article ↗ https://doi.org/10.1080/15427560701547248

📄 Full Article   🖼 Figures & data   📑 References   66 Citations   📊 Metrics

🖨 Reprints & Permissions   Read this article

Abstract

The effic... ...and value
securitie... ...esent value;
the price... ...or the
present... ...in
comp... ...volume,
high... ...assume
rational... ...rationally or
against t... ...paper, we
relax the... ...latility, high
trading... ...nt into the
already...

🔍 keyword

We Care About Your Privacy

We and our 855 partners store and access personal data, like browsing data or unique identifiers, on your device. Selecting "I Accept" enables tracking technologies to support the purposes shown under "we and our partners process data to provide," whereas selecting "Reject All" or withdrawing your consent will disable them. If trackers are disabled, some content and ads you see may not be as relevant to you. You can resurface this menu to change your choices or withdraw consent at any time by clicking the ["privacy preferences"] link on the bottom of the webpage [or the floating icon on the bottom-left of the webpage, if applicable]. Your choices will have effect within our Website. For more details, refer to our Privacy Policy. Here

We and our partners process data to provide:

I Accept

Reject All

Show Purpose

Notes

[1]We assume the dividends have extremely high growth g_s, where $g_s > r$ until time T. Afterward, we assume dividends grow at a constant rate g_n, where $g_n < r$. The current price of the high-growth stock is then:
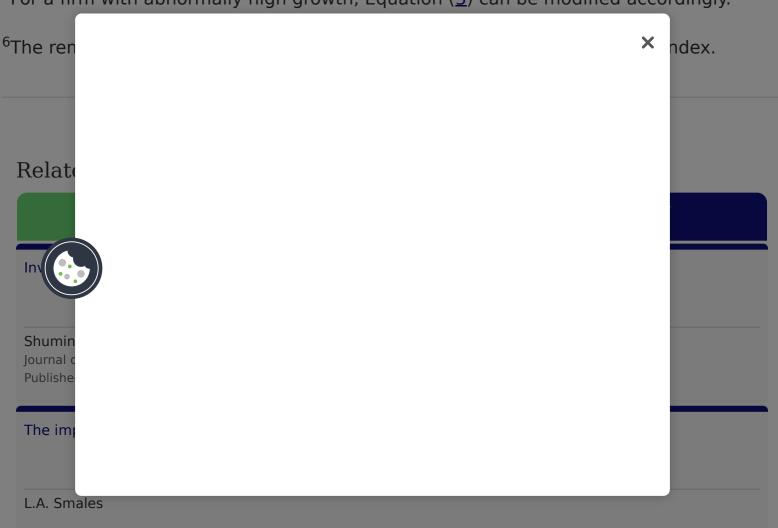
$$P_0 = \frac{DIV_1}{(r - g_s)}\left[1 - \left[\frac{1 + g_s}{(1 + r)}\right]^T\right]$$
$$+ \frac{DIV_1(1 + g_s)^{T-1}(1 + g_n)}{(1 + r)^T * (r - g_n)}$$

[2]See Sharpe [1978, p. 315] for a fuller description of this method.

[3]Future dividends are computed from the current dividends and the growth rate. The discount rate is computed using CAPM. The growth rate is computed from the company-specific information (usually a multiple of ROE and the plowback ratio).

[4]For details about the formula and a description of each term, see Shleifer [2000, pp. 134–143].

[5]For a firm with abnormally high growth, Equation (3) can be modified accordingly.

[6]The ren   ndex.

Relat

In

Shumin
Journal
Publishe

The imp

L.A. Smales

Applied Economics
Published online: 5 Jan 2017

Emotions in the Stock Market ›

John Griffith et al.
Journal of Behavioral Finance
Published online: 29 Apr 2019

View more

Information for

Authors

R&D professionals

Editors

Librarians

Societies

Opportunities

Reprints and e-prints

Advertising solutions

Accelera

Corporat

Keep up

Register t
by email

Open access

Overview

Open journals

Open Select

Dove Medical Press

F1000Research

Help and information

Help and contact

Newsroom