

Original Articles
Volume 1, 2000 - Issue 1

532 Views | 30 CrossRef citations to date | 0 Altmetric



Journal of Psychology and Financial Markets >

Original Articles
Volume 1, 2000 - Issue 1

Journal of Psychology and Financial Markets

Investor Overreaction: Evidence That Its Basis Is Psychological

Views 532 | Citations 30 | Altmetric 0 | Pages 61-75 | Published online: 07 Jun 2010

David N. Dreman & Eric A. Lufkin

Cite this article https://doi.org/10.1207/S15327760JPFM0101_06



Journal of Psychology and Financial Markets >

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



Citation Metrics
Reprints
Read this
Read this

Abstract

Probably
whether
market i

versy than
react to
the efficient

market hypothesis states that, with minor exceptions, securities are rationally priced,

repeated evidence has been presented of predictable over- and underreactions. This evidence is based primarily on consistently higher returns for out-of-favor stocks and below-average returns for favored issues. The existence of overreaction in the marketplace, if it can be proven, is important to both investment decision-making and theory, and in more acute cases can be the major cause of financial bubbles and panics.

We present evidence of overreaction by showing that important fundamentals upon which securities prices depend demonstrate little movement in the face of major changes to the returns of favored and unfavored stocks. We can find no explanation other than psychological influences to account for this finding. The paper also provides evidence that over- and underreaction may be a part of the same process.

[← Previous article](#)

[View issue table of contents](#)

[Next article >](#)

Related Research Data

[The Role of Psychological Factors in Behavioral Finance](#)

Source: IGI Global

The m

Source

Data

Source

Linkin



Re



Overrea

David M
Financia
Publishe

Evidence on Stock Market Overreaction >

John S. Howe

Financial Analysts Journal

Published online: 31 Dec 2018

Measuring Bubble Expectations and Investor Confidence >

Robert J. Shiller

Journal of Psychology and Financial Markets

Published online: 7 Jun 2010

[View more](#)



Information for

- Authors
- R&D professionals
- Editors
- Librarians
- Societies

Opportunities

- Reprints and e-prints
- Advertising solutions
- Accelerated publication
- Corporate access solutions

Keep up to date

Register to receive personalised research and resources by email

 Sign me up



Open access

- Overview
- Open journals
- Open Select
- Dove Medical Press
- F1000Research

Help and information

- Help and contact
- Newsroom
- All journals
- Books

Copyright

Accessib

Registered
5 Howick Pl

Back to top

Section

Related re

• Read th

or & Francis Group
orma business

