Capital asset pricing, behavioral finance, and market hypothesis

Literature, Russian Literature

The time for money value in this article is represented through the rating of risk-free in a formula compensating the investors placing for money in a given time in an investment. This formula also clearly generated risk associated with the investment and thus shows the possible measures to take in a given risk scenario in an investment.

Behavioral finance

This is a financial field which proposes the use and application of psychology-based theories which are used to explain the anomalies in the stock market. In this context, the assumption in behavioral finance is the characteristics of market participants and the information structure which systematically influences the investments individual decision in the market outcome. This evident in various stock exchange markets which investors have assumed on making the best decisions. In this area, there are numerous incidents of this phenomenon in the security market which contradicts the market hypothesis in the investor's rationality. In this context, the behavioral finance hypothesis seems to attempt to cover and replace the investment void.

Efficient market hypothesis

In any investment, this theory states that it is totally impossible to beat the market due to the efficiency of the stock market which makes the existing shares to incorporate and thus reflecting the information which is relevant in accordance to this theory. It is, therefore, the investor purchases the undervalued stocks or eventually sells out the stock in inflated prices.