

Refer to document

[Finance](#)



Response Paper Response on the aspects of behavioral finance that are present in today's stock market Even though this student thinks uncertainty and panic are among the big threats manifested in today's stock market, he thinks that some investors go ahead to trust in the investment opportunities that they find worth. In an example illustrated, about Bill Gross's case, it is indeed logical to argue that most investors will find it more "secure" to invest in "risky" investments despite the uncertainty because they believe there are likely good returns in stock exchange than in other "safe" investments. It is even more rational to argue that people who are focused on making profits should stop overreacting to situations and just focus on their plans. Wise financial decisions are the best rewards an investor or a businessman can give to himself for a secure financial future.

Student 2

I think the term behavioral science is too broad in this context. However, it is wise that student 2 explained further by specifying that many bubbles are due to hypersensitive investing among financial industry members. Just as he suggests on the need to be fully aware of the ups and downs of the stock market prior to any investments, I concur with him that investors should not just rely on the positive or negative side of the history of the stocks, but rather take quality time studying the stocks and making possible adjustments whenever necessary.

Student 3

Anchoring, as suggested by this student is indeed a common behavior in the current stock market. This seems to go hand in hand with the views of student 2 on the idea that the history of stocks should not always be a factor to base on while deciding to invest. Going with the crowd is another

dangerous move highlighted here. People should learn to assess stocks subjectively and make individual decisions instead of doing what others think is right, simply because markets can never be predictable; they can be defined in different terms by different sectors.

References

Braham, L. (2014, April 7). How Money Managers Fight Their Emotions and Sometimes Lose. Bloomberg. com. Retrieved October 28, 2014, from <http://www.bloomberg.com/news/2014-04-07/how-money-managers-fight-their-emotions-and-sometimes-lose.html>

Lopez, L. (2014, Oct. 7). Pimco's outflow headaches only just beginning. Retrieved from <http://www.reuters.com/article/2014/10/07/us-pimco-allianz-withdrawals-analysis-idUSKCN0HW09P20141007>

Levine, M. (n. d.). Behavioral Finance News - Bloomberg. Bloomberg. Retrieved October 28, 2014, from <http://topics.bloomberg.com/behavioral-finance/>