

Discussion 08: STOCK VALUATION

Eddie Gillespie

Hi, Eddie thanks for your post. Investing in the stock market may feel like a gamble because stock prices may go either way. However I do not it is quite like rolling a dice because although any investment is subject to uncertainties unlike a dice some investment uncertainties can be mitigated. Like you, correctly mention in your post there is a reasonable expectation of a stock's performance based on scientific analysis. Surprises whether positive or negative result from unexpected events. Therefore, stock prices mostly remain within a certain band of value unless a major unpredictable event takes place.

Anthony Langford

Hi, Anthony thanks for your post. I agree with you there are many factors affecting the valuation of a stock. Industry news, earnings performance, changes in management, expected future economic performance etc. are some of the factors. These factors act on the demand and supply of a stock. Therefore, the value of a stock, which is the price people are willing to pay for it in the market, is a factor of demand and supply. For example, economic factors such as interest rates, economic inflation, and value of currency affect customers' ability to purchase (i.e. demand).