

Approaching Valuation

Think about a typical day in equity markets. Prices fluctuate constantly.

- Information comes in...
 - -- Governments, central banks make pronouncements on the economy...
 - -- Journalists write about industries or sectors...
 - -- Regulators consider rules that affect some subset of firms...
 - -- Financial analysts put out research reports...
 - -- Companies release news about products, markets, management...
 - -- Pundits pontificate on financial television...



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Introduction to Investments
Prof S G Badrinath
Approaches to Equity Valuation

- In response
 - -- Portfolio managers meet to decide on a course of action...
 - -- New investors want to enter (immediately or slowly) ...
 - -- Others want to exit (quickly or slowly) ...
 - -- Retail investors do homework and act (or wait)...
 - -- Day traders jump in and out (often faster than the eye can see)...
- Suppose the news is good and you want in. **What is a fair price? What to focus on?**

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