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An Empty Prognosis

On November 1st, 2016, MasTec will release their earnings report for their third quarter, and I predict that the stock price will increase – from beating analyst expectations for the company. However much I want this to be true - and given that D.A. Davidson currently owns $7,500 dollars of equity in MasTec, due to a pitch that I presented in a student investment class in September – I would want this to be true. However, smarter men than me argue that in accordance with the efficient – market hypothesis, the current stock price is reflecting the probability of MasTec beating analyst expectations, but more than that the stock price will fluctuate according to a random walk given a particular time horizon. This means that my initial statement is nothing more than a mindless forecast, notwithstanding critique.

If I could guarantee that a stock price will rise at a singular point in time in the future, without a shred of infinitesimal doubt, I would become dangerously leveraged – and put everything I own into that stock (which granted, is not very much) – because I only have upside. To pull off such an objectionable task, there is more required of me than being what Hayek would refer to as a “man on the spot,” a man with a comparative advantage of pertinent market information. It would be necessary for me to intrinsically foresee and know all independent sources of variation – to refute the random walk hypothesis. That the market place is predictable, following trends of historical data, and that I know with complete certainty that exogenous variables are measurable – and behave as I predict.

Withstanding the efficient – market hypothesis, and axioms presented in Paul A. Samuelson’s *Proof That Properly Anticipated Prices Fluctuate Randomly*, a profitable pattern of prediction is subject to disintegration, that both the market and stock prices respectively reflect all future information - and that the knowledge of future supply and demand trends becomes increasingly hazy as we create predictions that are further from our present set of information. Samuelson returns to the presumption that it is to be expected of individuals in the market place to pursue their own self – interest, to take into account assumptions of future variables, and in doing so the stock price is discounting to today the reflection of future information.

It seems fitting that there be a randomness within price changes – to fervently beat a dead horse – because within the context of a greater macrocosm of elements that constructs our understanding of market places, and current to future events – it isn’t plausible to be able to have a definitive understanding of all current or future observable events in time, and while there are those who have in the past put everything on the line and rolled the dice to achieve success – there are those who will gamble with fate, or mercy, and they will lose. Perhaps the former group has the means to continually prey on the latter if the market place is a zero sum game, but if any individual promised me a systematic approach to endless profitability, I for one would certainly be suspect.