SpringerBriefs in Finance

For further volumes:
<http://www.springer.com/series/10282>

Guo Ying Luo

Asset Price Response to New Information

The Effects of Conservatism Bias
and Representativeness Heuristic

Springer

Guo Ying Luo
DeGroote School of Business
McMaster University
Hamilton, Ontario
Canada

ISSN 2193-1720

ISSN 2193-1739 (electronic)

ISBN 978-1-4614-9368-6

ISBN 978-1-4614-9369-3 (eBook)

DOI 10.1007/978-1-4614-9369-3

Springer New York Dordrecht Heidelberg London

Library of Congress Control Number: 2013950495

© The Author(s) 2014

This work is subject to copyright. All rights are reserved by the Publisher, whether the whole or part of the material is concerned, specifically the rights of translation, reprinting, reuse of illustrations, recitation, broadcasting, reproduction on microfilms or in any other physical way, and transmission or information storage and retrieval, electronic adaptation, computer software, or by similar or dissimilar methodology now known or hereafter developed. Exempted from this legal reservation are brief excerpts in connection with reviews or scholarly analysis or material supplied specifically for the purpose of being entered and executed on a computer system, for exclusive use by the purchaser of the work. Duplication of this publication or parts thereof is permitted only under the provisions of the Copyright Law of the Publisher's location, in its current version, and permission for use must always be obtained from Springer. Permissions for use may be obtained through RightsLink at the Copyright Clearance Center. Violations are liable to prosecution under the respective Copyright Law.

The use of general descriptive names, registered names, trademarks, service marks, etc. in this publication does not imply, even in the absence of a specific statement, that such names are exempt from the relevant protective laws and regulations and therefore free for general use.

While the advice and information in this book are believed to be true and accurate at the date of publication, neither the authors nor the editors nor the publisher can accept any legal responsibility for any errors or omissions that may be made. The publisher makes no warranty, express or implied, with respect to the material contained herein.

Printed on acid-free paper

Springer is part of Springer Science+Business Media (www.springer.com)

Acknowledgements

I would like to acknowledge the comments and suggestions from my colleagues at McMaster University. In addition, I would like to thank the Social Sciences and Humanities Research Council of Canada (SSHRC) for the financial support.

Contents

- 1 Introduction 1**
- 2 Conservatism Bias and Asset Price Overreaction or Underreaction to New Information in a Competitive Securities Market 5**
- 3 Conservatism Bias and Asset Price Overreaction or Underreaction to New Information in the Presence of Strategic Interaction 15**
- 4 Representativeness Heuristic and Asset Price Overreaction or Underreaction to New Information in a Competitive Securities Market 27**
- 5 Representativeness Heuristic and Asset Price Overreaction or Underreaction to New Information in the Presence of Strategic Interaction 41**
- 6 The Presence of Representativeness Heuristic and Conservatism Bias in an Asset Market 53**
- 7 Conclusion 65**
- Appendix 67**
- References 69**