

A Theoretical Framework of Multifactor Systematic Risks in Equity Market: Behavioral Finance Paradigm

Authors : Jasman Tuyon, Zamri Ahmad

Abstract : Behavioral asset pricing research has been gaining momentum since in 1990s. However, it is still incomplete and has been criticized for some philosophical, theoretical and model specification limitations. Due to these drawbacks, investors' behaviors as a source of risk in behavioral asset pricing modeling still remains disputable. This paper aims to address these issues with an alternative perspective based on behavioral finance paradigm. Specifically, this paper proposes a theoretical linkages of both fundamental and behavioral risks on stock prices formation and an extension of the multifactor stock pricing model by combining multi-factor fundamentals and behavioral risks factors.

Keywords : behavioral finance, multifactor asset pricing, behavioral risks, fundamental risks

Conference Title : ICFE 2014 : International Conference on Finance and Economics

Conference Location : Penang, Malaysia

Conference Dates : December 04-05, 2014