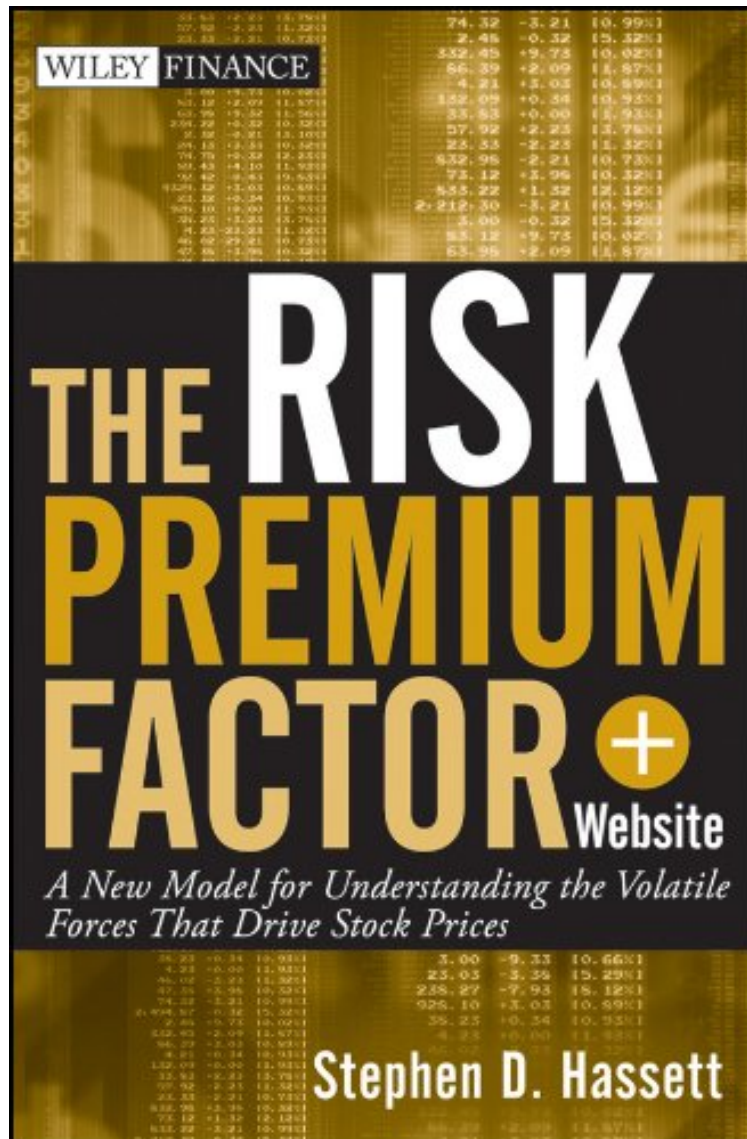


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Stephen D. Hassett

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Stephen D. Hassett : The Risk Premium Factor, + Website: A New Model for Understanding the Volatile Forces that Drive Stock Prices (Wiley Finance) before purchasing it in order to gauge whether or not it would be worth my time, and all praised The Risk Premium Factor, + Website: A New Model for Understanding the Volatile Forces that Drive Stock Prices (Wiley Finance):

4 of 4 people found the following review helpful. Required reading for investors and corporate finance professionals
By nowen
Full disclosure: I am a friend of the author and have worked with him in the past. From that experience I know that Steve does his homework. He's been working on this concept for some time and I'm impressed with this book. Cost of capital is perhaps the most important factor in value creation that is the least understood. A good model for analyzing cost of capital allows you to test all the assumptions in that model. This capability is crucial for investors and financial analysts. The RPF model allows you to ask good questions. Not "Are analysts' estimates too rosy?" but "Are analysts' estimate too rosy by 20%?" That is a very powerful difference. The one weakness in the book I believe will be alleviated by future studies: what causes the RPF to shift? The author offers up some ideas, but I would like to see more in-depth analysis. However, the RPF seems to have shifted only twice in 50 years - making it a very stable. I look forward to using the RPF model as part of my investment strategy going forward and I highly recommend this book.
0 of 1 people found the following review helpful. Equity Risk Premium
By Hubert Marleau
Excellent book and imaginative and worthy of consideration

A radical, definitive explanation of the link between loss aversion theory, the equity risk premium and stock price, and how to profit from it The Risk Premium Factor presents and proves a radical new theory that explains the stock market, offering a quantitative explanation for all the booms, busts, bubbles, and multiple expansions and contractions of the market we have experienced over the past half-century. Written by Stephen D. Hassett, a corporate development executive, author and specialist in value management, mergers and acquisitions, new venture strategy, development, and execution for high technology, SaaS, web, and mobile businesses, the book convincingly demonstrates that the equity risk premium is proportional to long-term Treasury yields, establishing a connection to loss aversion theory. Explains stock prices from 1960 through the present including the 2008/09 "market meltdown" Shows how the SP 500 has consistently reverted to values predicted by the model Solves the equity premium puzzle by showing that it is consistent with findings on loss aversion Demonstrates that three factors drive valuation and stock price: earnings, long term growth, and interest rates Understanding the stock market is simple. By grasping the simplicity, business leaders, corporate decision makers, private equity, venture capital, professional, and individual investors will fully understand the system under which they operate, and find themselves empowered to make better decisions managing their businesses and investment portfolios.