

STANFORD UNIVERSITY
DEPARTMENT OF STATISTICS
DEPARTMENTAL SEMINAR

4:15 p.m., Tuesday, July 24, 2001
Sequoia Hall Rm. 200
(Cookies at 3:45 in 1st Floor Lounge)

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A Stochastic Model for Internet Stocks

In the traditional financial asset pricing methods, a fundamental ingredient is earnings or projected earnings. For growth stocks, particularly internet and biotech stocks, however, the traditional methods are not very applicable, since the stocks can have hardly any earnings for years. In this talk, we propose a new valuation model, which does not involve earnings. The model, in particular, explains some empirically observed puzzles for growth stocks. In addition to the empirical results, numerical results will also be discussed.

This work is joint with Steven Kou.