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FUNDAMENTAL ANALYSIS MODELS IN FINANCIAL MARKETS - REVIEW STUDY

Abstract:

The purpose of this paper is an attempt to reach a better stock valuation model of the Fundamental Analysis Approach, by reviewing the theoretical foundations and literature reviews. By reviewing the theoretical foundations for each model of the fundamental analysis models, and sequentially beginning of the Discounted Dividend Model (DDM), through a Multiplier Models, and finally the Discounted Cash Flow Model (DCF), we find that all these models have strengths, despite the lack of accuracy, because it is required financial efficiency market. Recently Ohlson (1995) stated the simulated benefit in the formulation of the Residual Income Model (RIM). The Ohlson Model identifies the relationship between stock values and accounting variables. By reviewing the literature reviews, in financial markets, we conclude that the best model that can be relied upon to predict stock value, that proved credibility in both emerging and developed markets, is Residual Income Model (RIM), which doesn't require financial efficiency for its application.

Keywords:

Fundamental Analysis, Discounted Dividend Models, Multipliers Models, Discounted Cash Flow Model, Residual Income Model.

JEL Classification: G10, G19