

Pooling Market Information with Your Own Valuation

This project has to do with fundamental (Graham-Dodd) investing.

Suppose you are a fundamental investor. Your valuation model indicates a XYZ firm's shares as being undervalued and good "buy." Consider the following possibilities. The stock that you find attractive based on your (fundamental) analysis had a large price run up during the immediately preceding six months; had a large price drop during the same period; had lack luster but neutral price performance. What should you do from the point of view of the future? Should you revise your views in view of the additional information about how the stock performed during the preceding six months?

Can you develop a system for first pass screening of stocks that enter the buy list based on fundamental analysis?