

Longterm Forecasts for Equity Investing

How would you model earnings and dividends during the second stage and beyond when using the dividend discount model (or residual income model)? Standard practice is to go with economy/sector wide view based on analyst/macro model forecasts. Is there a way to use information in market prices regarding long run growth prospects? The objective is to come up with a better valuation model for a particular industry/sector that may be of particular interest to you.