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Wall Street Revalued: Imperfect Markets and Inept Central Bankers

Andrew Smithers

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Andrew Smithers : Wall Street Revalued: Imperfect Markets and Inept Central Bankers before purchasing it in order to gage whether or not it would be worth my time, and all praised Wall Street Revalued: Imperfect Markets and Inept Central Bankers:

7 of 7 people found the following review helpful. A great read, even though the subject is complexBy Customer"Wall Street Revalued" (2009) is a great sequel/victory lap to "Valuing Wall Street" (2000) by the same author.Smithers clearly saw coming what neither Greenspan nor Bernanke did. And he tells you how to value the stock markets so you

too can see the next crash coming. He refutes Bernanke's claim that low interest rates were not a major cause. He debunks Greenspan's position that you can't see bubbles and even if you could, it's better to let them burst and clean up the mess. To do justice to this complex subject, Smithers must present a lot of technical data. He puts the hairy bits into several appendices, and uses copious charts and tables in the main body of text so that even a layman can visualize and understand the historical data, concepts and conclusions he presents. Although he succeeds in a comprehensive coverage of his subject and offers constructive solutions, his recommendations raise other questions. For example, on regulating capital requirements to prevent bubbles -How effective would adjusting minimum equity of banks be if most liquidity is still coming from unregulated companies via derivatives? Would getting rid of off balance sheet stuff like SIVs help? On monetary policy -Can we have effective monetary policy without fooling with interest rates, i.e. leave interest rates to the free market supply and demand like Singapore does? David Malpass suggests adjusting money supply to keep prices stable, e.g. as for a basket of goods. Nathan Lewis suggests keeping the price of one commodity stable, gold. Perhaps these questions will be addressed in the next sequel. There are more good comments in the review by Michael Suh.⁴⁵ of 46 people found the following review helpful. Imperfect, but a must read By Michael Suh Andrew Smithers (no, not the Simpsons' Smithers) might be considered part of the economic cognoscenti -- James Grant and Jeremy Grantham think very highly of him, but none of them seem to show up on CNBC all that often. But I believe these economists and money managers are all cast in the same mold -- true value investing. It's a shame more investors don't listen to this breed; they'd save themselves a lot of time, money, and grief. This book wasn't really written with the individual investor in mind and has the loftier goal of pushing central bankers to realize that it is indeed possible to value markets, whether they be stocks, bonds, or housing. Smithers doesn't really go into commodity pricing, which is unfortunate; commodities are the hottest asset class right now. It could be there is no simple way to price oil or gold. Regardless, he takes the reader through Tobin's q and Ben Graham's CAPE, which he considers decent approximations to where markets should be priced (as of today, that's about 900 in the SPX -- 20% lower). But he points out shortfalls with this method -- mainly that it requires a lot of historical data, and that often doesn't exist for any nation other than the US. So he develops another method based on historical returns that comes up with roughly the same answer. But he doesn't give the reader the price data (which come from other academic papers and books) to verify it. So we're left with nothing but trust and no way to reproduce an analysis for future usage. This to me is a major flaw. Robert Schiller provides data on his website to reproduce CAPE that he introduced in his book, I believe Smithers could do the same with his "hindsight" model from this book. Smithers's analysis of the housing markets is quite short and unsatisfactory. He shows that percentage of income going towards housing has steadily increased over the last 100 years and right now it's way above the trend line. That's hardly evidence that the housing market is overvalued, even though other (better) indicators suggest overvaluation. I also have a serious bone to pick about how he presents the Efficient Market Hypothesis and subsequently demolishes it, but that gets too deep into academia. Suffice it to say that freshwater economists might blow a gasket after reading it. Casual readers that haven't taken many finance classes will probably find some of this material to be too dense -- if you've never heard of "Equity Risk Premium", a good chunk of this book will probably go over your head. But then again, you probably won't be reading this review because you had never heard of Andrew Smithers and passed on this book already. Investors and economists will want to read this book to get a very macro, long-term view of the markets. It's a little dry, but very informative. You won't finish the book thinking all is well with the world, but turn on CNBC if you need that perkiness. If you want a rigorous and practical treatment of how to properly value the long-term prospects of equity markets, this is an absolute must read. I think most readers will find big philosophical disagreements with Smithers on some topics, but a good chunk of the analysis here is worth orders of magnitude more than the cost of the book. 1 of 13 people found the following review helpful. must read By Giampaolo Galiazzo I think it's a valuable book. In depth analysis and ready to use advise. A must read.

In 2000 one of the world's foremost economists, Andrew Smithers, showed that the US stock market was widely over-priced at its peak and correctly advised investors to sell. He also argued that central bankers should adjust their policies not only in light of expected inflation but also if stock prices reach excessive levels. At the time, few economists agreed with him, today it is hard to find those who would disagree. In the past central bankers have denied that markets can be valued and that it did not matter if they fell. These two intellectual mistakes are the fundamentals cause of the current financial market crisis. In addition, a lack of understanding by investors as to how to value the market has also resulted in widespread losses. It is clearly of great importance to everyone that neither these losses nor the current financial chaos should be repeated and thus that the principle of asset valuation should be widely understood. In this timely and thought-provoking sequel to the hugely successful Valuing Wall Street Andrew Smithers puts forward a coherent and testable economic theory in order to influence investors, pension consultants and central bankers policy decisions so that they may prevent history repeating itself. Backed by theory and substantial evidence Andrew shows that assets can be valued, as financial markets are neither perfectly efficient nor absurd

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