

Random Walk



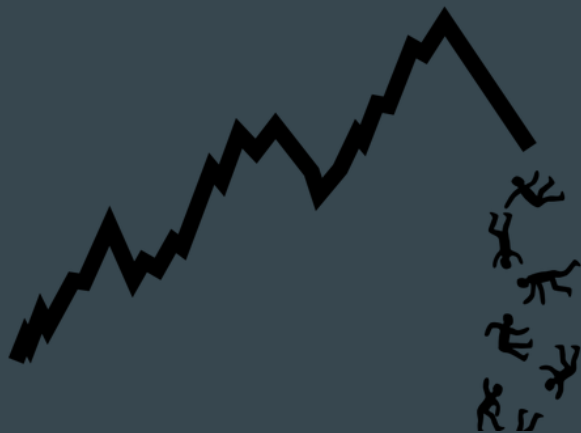
Random Walk Theory

1. Prices act randomly, stocks cannot be predicted
2. Jules Regnault, (1863) “the deviation of prices is directly proportional to the square root of time”
3. Efficient-market hypothesis (1900s)



Contrary Beliefs

1. Stock market does seem to have patterns
2. Arguments about statistical evidence
3. If asset prices are rational then fluctuations are not random and vice versa



But what if..?



Random Walk: True or False?

1. 4 tables, teachers desk, 10 bingo chips per person
2. Worksheet
3. Stock Market trend for the first quarter of 2020
 - a. Clothing Store- Steady at 15
 - b. Delivery Service- Decreasing
 - c. Constellation Brands Inc. - Increasing
 - d. Alpha Pro Tech- Steady at 3