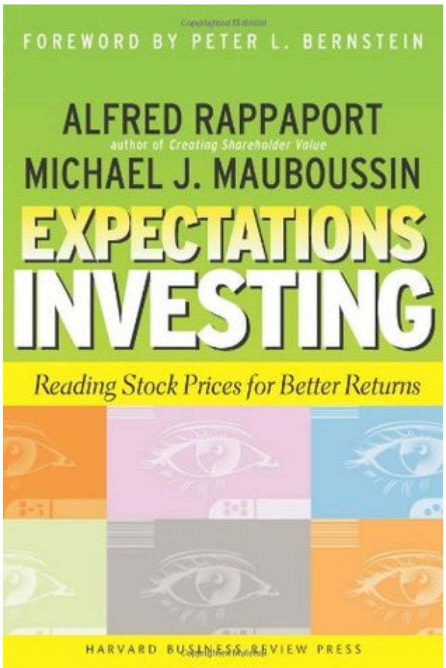

Expectations Investing: Reading Stock Prices for Better Returns

Alfred Rappaport , Michael J. Mauboussin , Peter L. Bernstein (Foreword)

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Expectations Investing offers a unique and powerful alternative for identifying value-price gaps. Rappaport and Mauboussin provide everything the reader needs to utilize the discounted cash flow model successfully. And they add an important twist: they suggest that rather than forecasting cash flows, investors should begin by estimating the expectations embedded in a company's stock price. An investor who has a fix on the market's expectations can then assess the likelihood of expectations revisions. To help investors anticipate such revisions, Rappaport and Mauboussin introduce an "expectations infrastructure" framework for tracing the process of value creation from the basic economic forces that shape a company's performance to the resulting impact on sales, costs, and investment. Investors who use *Expectations Investing* will have a fundamentally new way to evaluate all stocks, setting them on the path to success. Managers will be able to use the book to devise, adjust, and communicate their company's strategy in light of shareholder expectations.

Expectations Investing: Reading Stock Prices for Better Returns Details

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From Reader Review Expectations Investing: Reading Stock Prices for Better Returns for online ebook

Asif says

Bit of a letdown actually. The framework for reverse engineering the stock price was not very new. However where the book actually contributed was in details of incorporating ESOP, deferred taxes, M&A analysis, buybacks etc. I learned things on those segments which has not been covered in any other book.

Spence Byer says

Greatest gripe is that expectations decomposition only accounts for 3-4 chapters of the book. I found the middle 1/3 of the book to be worthwhile. The first third is quick summaries of basic investment concepts. The last third takes a brief look at employee stock options, buybacks (good chapter), and m&a. Huge fan of Mauboussin, but was hoping for more on decomposing expectations.

George Atuan says

Nothing new in this book.

Rafael Jose Velasquez says

Be aware of price implied expectations, and based on price implied expectations which are the value drivers for a company. Finding the drives if the share price will tell you where to focus your research efforts for finding potential expectations revisions.

Ragavendhra says

It gives a different dimension about investing , the author is good and that's what makes the book tick. Worth the penny and is a long term reference book you can read and re read it each time you get a different perspective.

Sanjay Jhaveri says

Successful investors understand what is implied (e.g., high or low expectations) in a stock price. Worth reading

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Jobin Thomas says

Avoid this book. The title is very misleading!

The title makes us think that we will be able to reverse-engineer the DCF assumptions, which the market is pricing-in for a particular stock. That's not what the authors actually tell us here.

They are asking us to look at consensus analyst estimates from some data providers like Bloomberg. Seriously?

Market prices are not just a reflection of sell-side analyst estimates. More than that, they reflect the opinions of the buy-side.

I got so irritated and put down the book half-way. I regret spending time on this book (forget the money spent).

Abhishek says

good one

Ryan says

This book was required reading in my graduate program. Not sure how I feel about it, except that it has a preachy vibe to it. It reminds me of the time I picked up The Paleo Diet, hoping to learn about the science behind a processed-food-free diet. Instead I got a gimmicky fad diet book telling me that I could lose weight fast. The weird vibe is in odd juxtaposition to some quality ideas regarding company analysis.

There are some things I don't understand in the book, and I'll probably need to hash through some analysis before it begins to make sense. However, the most confusion stems from the following: the book claims that market expectations can be reversed engineered just by analyzing the current stock price of a company. However, there are so many variables that go into the valuation, I haven't figured out which variables to set at consensus levels, and which variable to float as the market-price-derived expectation. Do I hold sales growth & required return steady and float drive the time horizon? Or, do I set the time horizon & rate of return and float sales growth?
