

Evaluating Information Quality and Validity of Value Line Stock Ratings

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Abstract

Investment in stock market involves many decision rules and variables; hence investors are increasingly relying on ratings provided by rating agencies to guide their stock selections. However, do these stocks ratings have information value? Are rating agencies' ratings valid? We research these questions by analyzing the performance of rating agencies. This study provides empirical evidence on the performance of rating services by analyzing the performance of Value Line. As a generalization of the traditional efficient frontier, we introduce the concepts of domination cones, domination structures and non-dominated solutions in this paper. Feasibility and rationale based on domination cones and multiple criteria ratings of prominent investment survey journals to verify the validity of their ratings are sketched.

Keywords: Stock, Domination structures, Non-dominated investment, Domination

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