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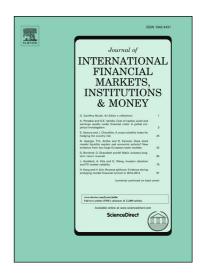
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Psychological Price Barriers in Frontier Equities

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Abstract

Psychological barriers are shown to be a feature in frontier market equity pricing. Using MSCI Frontier 100 index constituents; prices, upon breaching an upward or downward psychologically important price point, generally follow predictable patterns in the days after such a breach. It is demonstrated that certain characteristics of frontier markets drive the presence of this relationship. There are regional effects, and also cultural influences as measured by country individualism scores. Liquidity also appears to mediate the presence of psychological barriers. This constitutes a first study of behavioral influences in these fast-growing markets that are being increasingly recognised as an asset class with strong diversification benefits for investors previously restricted to developed and emerging equity markets.

Keywords: frontier markets, psychological barriers, individualism

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