Stock prices in the exchange markets reflect the fundamental value of the listed companies, however they also contain "noise". This dissertation focuses on the price "noise", which is defined as the temporary price deviation from a (random walk) efficient price in the stock market. The dissertation points out that the "transitory" price is not short lived. In fact, it is persistent and last for at least one month. The persistence in temporary price deviation is attributed to a limited attention model. In this model, the investors have different attentive periods to participate in the market. The dynamic relations between stock returns and the trading variables found in New York Stock Exchange data support the theoretical model. The empirical results show that 8% of a stock’s daily idiosyncratic return variance and 25% of its monthly idiosyncratic variance are due to temporary price changes. The trading variables explain 32% of these changes. Furthermore, a model of endogenous information acquisition by the market maker is presented to separately analyze the size of price pressure and pure noise in the "transitory" price. It shows that when the market maker’s absolute inventory position is large, he inclines to acquire more precise signals and reduce conditional price pressure.

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