

2) The model calculates the market price (RM-Rf) of risks through the concept of all market portfolios.

3) It connects the systematic risks of single asset to the market price of risks. So it provides a standard formula to calculate the single asset value under the condition of an equilibrium market.

4) *Drawback of Applicability*

Although CAPM is widely used in investment portfolio, it has obvious drawbacks. Firstly, such strict modeling assumptions as single time horizons of investors, the same expectations of investors on prices and efficient markets are impractical; secondly, such limitation due to imperfect development of China's capital market, as low information publicity degree, imperfect information disclosure mechanism, unreasonable investor structures and unreasonable shareholding structures of listed companies, etc., lower the practical applicability level of CAPM.

B Prospect on CAPM

Through 60 years of development, CAPM theory is increasingly mature, provided with better theoretic universality and interpretation ability to realities. Nevertheless, due to the complexity of the real world, if these theories are provided with good theoretic universality, they can poorly interpret the realities, and while if they are provided with ability of interpretation to realities, they can only make partial analysis without theoretic depth and width.

Since it was established in 1991, China's securities market has gone through rapid development, but it is still far away from complete market, and CAPM cannot be entirely applied to China's securities market. However, with its gradual improvement, CAPM theory, by appropriate modification, will play a major role in technical analysis thereon.

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