

## Referee-Report on MS 401 entitled „Efficiency and stability in complex financial markets“

I really found the paper interesting to read since it handles a very important research question and its model design and results are really interesting. Especially the finding that noise traders (i.e. chartists) are not destabilizing the market, but are dominating if the market is close to information efficiency, reminds me of the study of Schredelseker (2001). In a very different model he states that up to a certain threshold level of noise traders in the market, the switching of weak informed fundamentalists (he applied an asymmetric information structure with more than 2 information levels) to a random strategy increases market efficiency. From that perspective both results are in contrast to many studies focusing on the chartist/fundamentalist-approach (see Hommes et al., 2006) and I see this paper as a good discussion and starting point for the question why these differences emerge. It would be interesting to see future research based on this work by merging the ideas of this paper and the ones of papers with the classical chartist/fundamentalist-framework. So, as the authors also suggest in their conclusion, it would be useful to implement fundamentalists with heterogeneous private information in the latter models and consequently measure the impact of noise traders on market efficiency in this new setting.

### References:

Hommes, C. H., (2006), Heterogeneous Agent Models in Economics and Finance, Handbook of Computational Economics, in: Tesfatsion, L. and Judd, K.L. (Eds.), Handbook of Computational Economics, Vol. 2, 1109-1186. Elsevier

Schredelseker, K., (2001), Is the Usefulness Approach Useful? Some Reflections on the Utility of Public Information, in: McLeay, S. and Riccaboni, A. (Eds.), Contemporary Issues in Accounting Regulation. 135–153. Kluwer