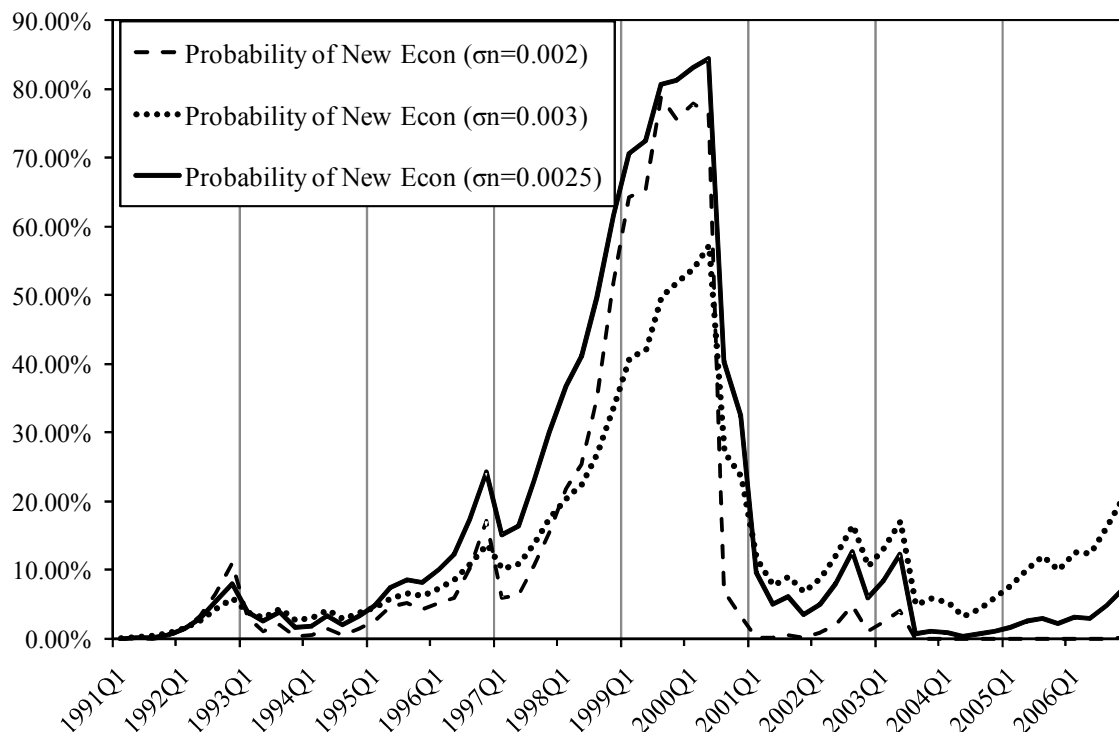


### Internet Appendix to “A Bayesian’s Bubble”

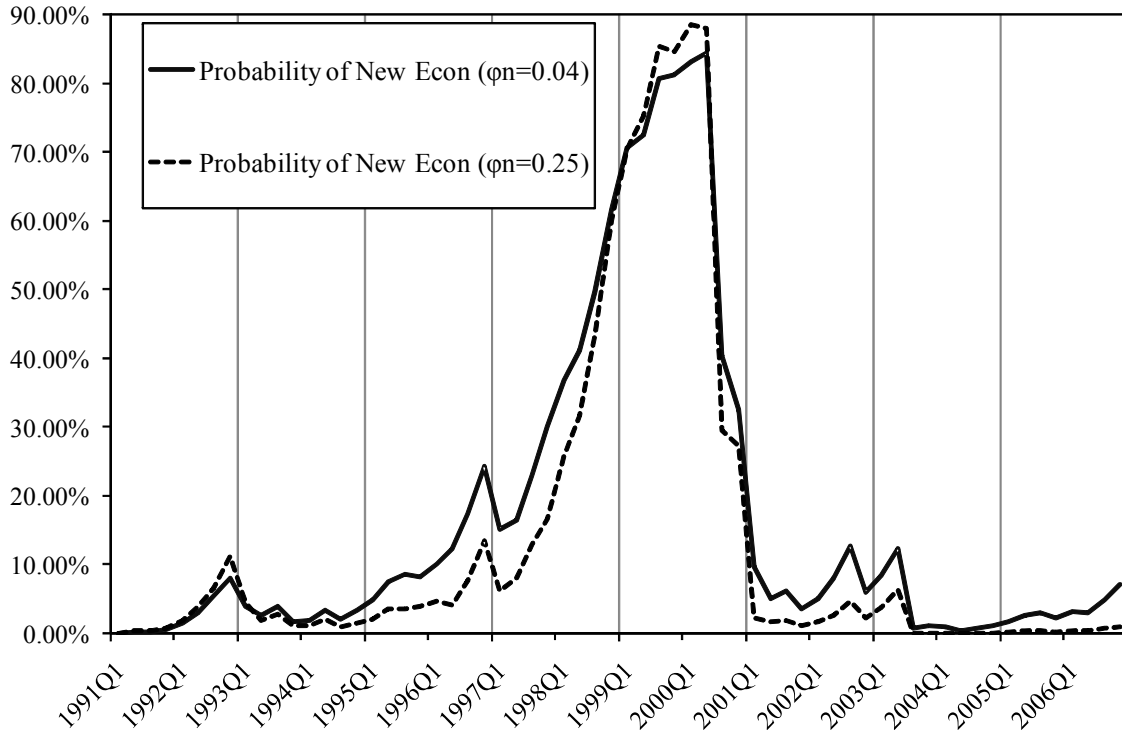
Panel A of Figure 3 in the text presents the model-estimated probability of a new economy. In this appendix, we provide figures that reflect different parameter choices.



**Figure IA.1. Model-estimated probability ( $Q$ ) of a new economy with different  $\sigma_{\rho,n}$ .** The figure traces the evolution of a representative investor’s belief regarding a new economy as captured by the probability  $Q$ . The solid line is a replication of Panel A of Figure 3 in the text, where we set  $\sigma_{\rho,n} = 0.0025$ . For the dashed line, we set  $\sigma_{\rho,n} = 0.002$ . For the dotted line, we set  $\sigma_{\rho,n} = 0.003$ .

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\*Citation format: Li, C. Wei, and Hui Xue, 2009, Internet Appendix to “A Bayesian’s Bubble,” *Journal of Finance* 64, pages 2665-2701, <http://www.afajof.org/IA/2009.asp>. Please note: Wiley-Blackwell is not responsible for the content or functionality of any supporting information supplied by the authors. Any queries (other than missing material) should be directed to the authors of the article.



**Figure IA.2. Model-estimated probability ( $Q$ ) of a new economy with different  $\phi_n$ .** The figure traces the evolution of a representative investor's belief regarding a new economy as captured by the probability  $Q$ . The solid line is a replication of Panel A of Figure 3 in the text, where we set  $\phi_n=0.04$ . For the dashed line, we set  $\phi_n=0.25$ , the value we use for  $\phi_o$ , and set  $\sigma_{\rho,n}=0.002$ .