

Optimal Asset Management and Market Financial Investment Strategy Analysis Based on Economics Thinking

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Abstract: With globalization and financial innovation development, the asset management business is facing new challenges and opportunities. People use economic thinking to guide optimal asset management and market financial investment. This paper makes a theoretical analysis of optimal asset management and market financial investment strategy from four aspects of economic thinking, including the concept, value, foundation, and key technology. In addition, the researchers use empirical methods to verify and evaluate it. The view of this paper is that economic thinking can help asset managers grasp the laws of the market, analyze risks and benefits, formulate a reasonable portfolio, and achieve the preservation and appreciation of assets. At the same time, economic thinking can promote the innovation and optimization of market financial investment strategies and improve investment efficiency and yield. Finally, it points out the synergistic effect of economic thinking in optimal asset management, market financial investment strategy, and future research direction.

1. Introduction

Asset management is one of the primary responsibilities of financial institutions and enterprises and also belongs to financial services. It can be divided into essential asset management and non-basic asset management. They include traditional financial products such as deposits, bonds, and stocks; There are also innovative financial products, including funds, derivatives, alternative investments, etc. Asset management entrusts professional institutions to design and implement optimal asset management and market financial investment strategies to improve asset and risk-adjusted returns. Since the 2008 financial crisis, asset management has become the key to allocating global financial factors, and optimal asset management and market financial investment strategy have become a criterion. Unlike traditional asset management, asset optimization and market financial investment strategies emphasize economic thinking, mathematical models, and data analysis. Therefore, we put forward the issue of optimal asset management and market financial investment strategy based on economic thinking. Economic thinking provides a new perspective and method for optimal asset management and market financial investment strategy.

Economic thinking originates from economic theory with rational choice as the core, which is an ability of logical reasoning and problem-solving. It is also a tool for analyzing economic phenomena and behaviors. Structurally, economic thinking pursues simplicity, consistency, universality, and falsifiability. People realize the innovation and development of economics through hypothesis, inference, and verification [2]. Today, economic thinking has opened up a unique path that keeps pace with the times. The advancement of economic thinking has changed economics, reflecting the characteristics of diversification, positivism, crossover, and application. In addition, it has changed other disciplines and profoundly impacted social life. Therefore, an open, forward-thinking, and innovative vision and structure are required to discuss optimal asset management and market finance investment strategies based on economic thinking. This paper puts forward the following propositions.

To sum up, optimal asset management and market financial investment strategy based on economic thinking are necessary to achieve high efficiency, high yield, and low risk. Theoretically, this paper

constructs systematic knowledge and methods to teach optimal asset management and market financial investment strategy. This article uses big data technology and empirical analysis to solve practical problems in many typical cases.

2. Research Background of Optimal Asset Management and Market Financial Investment Strategy Based on Economic Thinking

2.1 The Global Development Trend and Impact of Asset Management Business

Asset management is a concept related to financial innovation. It has economic thinking and highlights the value orientation of financial services to the entity economy. It reflects China's financial development strategy since the reform and opening up. However, it isn't easy to get a consistent conclusion when we use some statistical criteria to find the definition and nature of asset management. This research's background and important content are the global development trend and influence of asset management business.

2.2 The Concept and Connotation of Optimal Asset Management and Financial Investment Strategy

Optimal asset management is a standard of financial management and an expression of asset allocation efficiency. Optimal asset management and market financial investment strategy discuss the definition of asset allocation from the perspective of risk, return, and liquidity. In addition, some scholars believe that optimal asset management represents the asset portfolio's efficiency or the asset portfolio's optimization because optimal asset management is objective to some extent and belongs to financial science with rationality. The theory of optimal asset management can be traced back to the 17th century. Its activities include asset selection, asset allocation, and asset adjustment. In addition, the concepts and methods of financial investment strategies are closely related to the assumptions of market efficiency. Investors become an essential part of market participants. The main contribution of modern portfolio theory in the mid-20th century is to propose a portfolio measure based on the mean-variance standard attribute [3].

2.3 The Role and Value of Economic Thinking in Optimal Asset Management and Market Financial Investment

Compared with traditional financial theory, economic thinking emphasizes the relationship between utility and constraint and has applied micro foundation and behavioral hypothesis. Although some scholars have questioned that utility and constraint may not be directly related, most scholars advocate that economic thinking can rationally evaluate optimal asset management and market financial investment strategies. Markowitz et al. proposed a classical portfolio selection model with mean-variance, including return expectation and risk variance. Since then, the model has become a standard tool for optimal asset management, and the concepts of the efficient frontier and capital market line have been developed. Scholars believe optimal asset management is a dynamic, stochastic control problem; only when investors' consumption, savings, and income are considered can it maximize its utility. By considering investors' consumption, savings, and income, optimal asset management will maximize utility. Therefore, the market financial investment strategy results from optimal asset management. In addition, some scholars summarized the market financial investment strategy into two models: the CAPM model based on equilibrium conditions and the APT model based on no-arbitrage. The former focuses on the market risk premium, while the latter focuses on multiple risk factors, namely "factor investment." Market financial investment strategies have experienced some failures. Still, from the perspective of economic thinking, they can provide a theoretical framework. Then concepts such as "behavioral finance" and "smart beta" have gradually become famous for the research and practice of market financial investment strategies [5].

3. Fundamentals and Key Points of Optimal Asset Management and Market Financial Investment Research Based on Economic Thinking

3.1 Optimal Asset Management Model and Method with Economic Thinking

The mean-variance model is a method of optimal asset management emphasizing the trade-off between profit and risk. The covariance matrix directly reflects the correlation between assets and the portfolio's volatility. Some elements in developing the mean-variance model are being formed, and evaluation systems such as the efficient frontiers and the capital market lines are gradually being valued [6]. However, from the perspective of empirical research, the practice of some mean-variance models is at the stage of idealization, which is contrary to the logical framework and generation mechanism of the market. Problems such as parameter estimation errors, out-of-sample performance instability, and neglect of non-normal distributions arise. The structure of the optimal asset management model is shown in Figure 1.

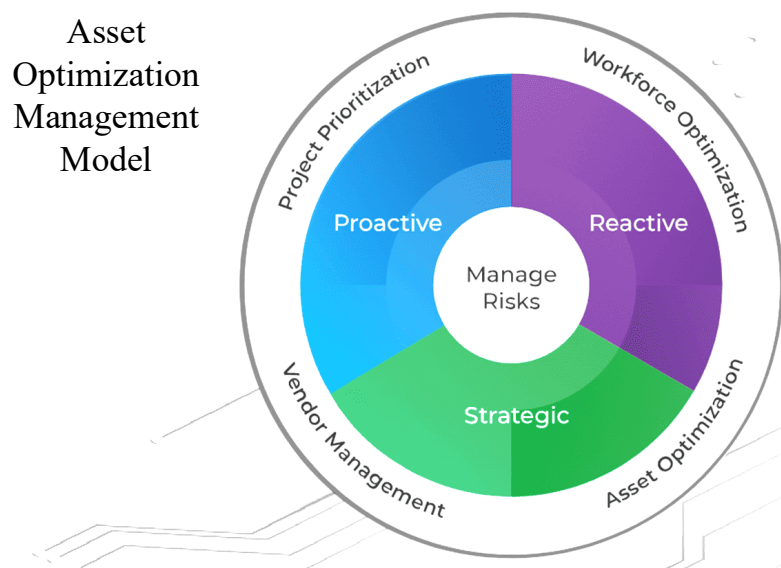


Figure 1 The structure of the optimal asset management model

3.2 Market Financial Investment Strategy Model with Economic Thinking

From the market perspective, market financial investment strategy is the primary link between financial asset pricing and the embodiment of investor returns. Therefore, the market financial investment strategy considers economic thinking the primary generation logic. The mean-variance model is the method used for financial investment strategy in the market and is also the main content of investors' decision-making. At this stage, the mean-variance model strengthens portfolio control from the perspective of risk and return. There are three primary forms: First, the efficient frontier. People clarify the investment portfolio to achieve the optimal trade-off between risk and return. Second, is the capital market line. By formulating risk-free interest rates, market portfolio yields, and disclosing market portfolio weights to investors, the balanced pricing of investment portfolios is achieved; Third, the internal process of reengineering the securities market line. In recent years, the factor model has used multi-factor analysis to improve the securities market line and the pricing efficiency of stocks. However, compared with reality, the applicability of the current mean-variance model needs to be further improved.

3.3 The Relationship and Synergistic Effect between Optimal Asset Management and Market Financial Investment Strategy

The fundamental difference between optimal asset management and market financial investment strategy lies in the target attribute. The target standard and decision-making criterion of optimal asset management are aimed at investors' utility; investment management's development mainly reflects the balance and optimization of risks and returns. In the mean-variance framework with economic

thinking, accurate assessment, dispersion, control, and allocation of risks are the core value and highest criterion for developing investment management. Currently, the diversity of asset types and the differences in the market environment leads to the diversification of investment management. However, market information could be better, and investors need a rational choice mechanism. Therefore, there are improvement areas in investment management that affect the investment results. Market financial investment strategy's target standard and decision-making criterion aim to achieve market equilibrium. The development of investment strategies embodies the observance and utilization of market mechanisms and laws. In the no-arbitrage framework of economic thinking, accurate prediction, judgment, selection, and execution are the core value and criteria for developing investment strategies. The diversity of financial investment strategies and the fierce competition in the market have led to the innovation of investment strategies. Nevertheless, the inefficiency of the market and the lack of investors' knowledge of reasonable optimization mechanisms have caused shortcomings in investment and hampered investment returns.

4. Modeling and Application of Optimal Asset Management and Market Financial Investment Based on Economic Thinking

4.1 An Empirical Analysis of Optimal Asset Management

From the perspective of optimal asset management, companies are unable to provide accurate financial information and investment strategies required by investors. Investors' investment feedback on enterprises is mainly in satisfaction evaluation, but enterprises need more comprehensive relevant information and financial management risk control mechanisms. The problem may be because enterprises need to establish a world-class financial management system. In market finance, investors are often described as Rational Men. Their investment choices directly reflect the value of the enterprise [7]. However, most of the financial information of enterprises is about the previous income, cost, and profit information, and the forecast for the future needs to be revised. Usually, the future benefits and risks take time to predict. Information asymmetry and poor market management lead to investors' decision-making difficulties.

4.2 Empirical Analysis of Market Financial Investment Strategy

The empirical analysis of market financial investment strategy is a research method that uses historical and statistical data to test and evaluate the effectiveness and performance of investment strategies in financial markets. The goal is to provide the scientific basis for investors to choose the most appropriate investment strategy, thereby increasing returns and reducing risk. The empirical analysis of market financial investment strategy includes the following aspects.

Market efficiency and abnormal returns: Market efficiency means that the price in the financial market can reflect available information, so investors cannot use the information advantage to obtain excess returns. Abnormal returns refer to the difference between the returns realized by investors in the market and the regular returns (the returns calculated according to the market equilibrium model). The empirical analysis of market efficiency and abnormal returns mainly evaluates whether there are problems and abnormal returns in the market by testing different assumptions and market models.

Asset pricing and risk premium: Asset pricing refers to determining the reasonable price or value of financial assets (such as stocks, bonds, and options). Risk premium refers to the additional income required by investors to bear risks. The empirical analysis of asset pricing and risk premium mainly involves establishing various asset pricing models to explain and predict price fluctuations and returns of financial assets and to analyze the impact of risk factors on asset prices and returns [8].

Portfolio optimization and performance evaluation: Portfolio optimization refers to selecting and allocating financial assets under given constraints to maximize the expected return or minimize the risk. Performance evaluation refers to measuring and evaluating the performance of a portfolio or investment strategy, such as yield, risk, Sharpe ratio, and information ratio. With the help of optimization algorithms and evaluation metrics, people conduct an empirical analysis of portfolio optimization and performance evaluation, construct and compare different portfolios and investment

strategies, and evaluate their strengths, weaknesses, and applicability.

Factor investment and multi-factor model: Factor investment refers to an investment method that selects and allocates financial assets based on some characteristics or attributes that can explain the difference in the yield of financial assets, such as market value, book-to-market ratio, momentum, and quality. A multi-factor model is a model that uses multiple factors to describe and predict the yield and risk of financial assets or portfolios. The empirical analysis of factor investing and the multi-factor model is to construct and verify it by identifying and extracting influential factors and analyzing its robustness and adaptability in different market environments [9].

4.3 An Empirical Analysis of the Synergy between Optimal Asset Management and Market Financial Investment Strategy

From the perspective of asset management, the simplification of asset allocation has restricted investors' income and risk management for a long time. Since the 21st century, the market financial investment strategy integrating market analysis, investment strategy, and product design has reshaped the concept of asset allocation through diversified, dynamic, and customized methods. However, the traditional optimal asset management model's drawbacks restrict the investment strategy's implementation effect. Due to market friction, transaction costs, information asymmetry, and the complexity and uncertainty of market financial investment strategies, the effectiveness and robustness of market financial investment strategies need to be improved. With the help of big data and artificial intelligence, the synergistic effect of optimizing asset management and market financial investment strategy is regarded as a direct way to improve asset allocation efficiency and return. However, the practical effect of the optimal asset management model based on mean-variance on the synergistic effect of market financial investment strategy remains to be studied. At the same time, the market financial investment strategy involves selecting and combining various factors and parameters, resulting in the need for unified standards for optimal asset management. Therefore, optimal asset management fails to achieve synergy with market financial investment strategies. Optimal asset management is a technical problem; there is room for improvement in theory and practice.

5. Conclusion

Market finance investment strategy has become an essential part of asset management, which puts forward new challenges and requirements to the theory and practice of asset allocation. Market finance investment strategy symbolizes innovation in asset management, a key means of increasing returns and reducing risk. It reflects the urgent need to optimize asset management and safeguard the interests of investors. It reflects the inherent requirements of asset management. The synergy effect between optimal asset management and market financial investment strategy is to build a theoretical analysis framework and practical mechanism for efficient, robust, and customized asset allocation with the help of big data, artificial intelligence, and other technologies. In recent years, modern information technologies such as cloud computing and blockchain are driving the development of market-based investment strategies. It uses intelligent and digital empowerment to optimize asset management and the accuracy and scientific nature of market financial investment strategies, which conforms to the internal logic of asset management. Therefore, the technology based on big data and artificial intelligence provides a new path for the synergy between optimal asset management and market financial investment. In a word, the continuous improvement of the synergy effect between optimal asset management and market financial investment strategy will help to better meet the needs of investors and promote the innovation and progress of the asset management industry.

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