Equilibrium financial models provide important information on the movement of asset prices in response to subjective beliefs and consumption preferences of economic agents. The standard framework assumes that agents are rational and possess given preferences from the outset—in particular, these do not depend on other agents’ actions in the market. In this work, we deviate from this assumption by allowing agents’ subjective views and consumption clocks to depend on the whole history of the wealth and consumption distribution among agents in the economy. The updating mechanism is generic and may accommodate different behavioral models; for example, it can model herding.

In order to analyze existence and uniqueness of equilibrium, we assume that agents have numéraire-invariant preferences; in fact, such preference structures are rich enough to render any observed agents’ behavior optimal. The market contains a borrowing and lending account in zero net supply, as well as a stock in positive unit net supply providing certain dividend stream, exogenously specified. A characterization of existence and uniqueness of equilibrium in a Brownian setting is provided in terms of stochastic differential equations.

Due to the departure of agent rationality, the proposed framework naturally allows for equilibria where the risky asset in positive net supply contains a bubble, even though the resulting market is complete and the acting agents are unconstrained.