This paper offers a dynamic equilibrium model of bubbles, extending Merton’s Intertemporal-CAPM. We consider two types of investors - Trend-chasers as well as Contrarians – who are distinguished based on their risk attitude. Our model generates rich price patterns including positive/negative bubbles, crashes, and a time-series of momentum/reversal oscillations. Typically, a positive bubble (overpricing) is followed by a “crash”, which occurs once the market fails to clear. However, a negative bubble (underpricing) appreciates gradually. The return-impact of trade, defined as illiquidity, increases as both positive and negative bubbles diverge from the ICAPM fundamental value.