

# Preregistration: Mental Models of the Stock Market

## Affect Heuristic Study

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In addition to the existing preregistration plan, we preregister the Affect Heuristic Study.

### Study parameters

- Sample size: 200
- Sample type: Prolific sample (no quotas except balance with respect to gender)
- Start of data collection: August 8, 2024 (after preregistration)
- Number of arms: 1
- We plan to work with all complete responses. In the (typically very rare) case that a respondent submits multiple responses, we only count the first response.
- Respondents can only start with the survey if they pass an attention screener. Moreover, they can only proceed with the survey if they pass a comprehension quiz that tests their understanding of the scenarios (multiple attempts are allowed).

**Study design** The survey is a short version of the main survey, but the scenarios feature news items that are described as having no relevance for Nike's future business prospects but have different affective valence (death vs. celebration of 80th birthday of beloved ex-employee). The survey contains the following elements:

- Prediction: In which scenario is the future expected return of an investment in the stock over the next year higher?
- Open-ended explanation of prediction
- Background characteristics

The instructions of the modified scenario, prediction and explanation screens are attached below.

**Research question** Do individuals infer higher future returns from stale news less often in cases where the news still has positive affective valence but is not relevant for future company earnings?

# Instructions

## Two scenarios

Please think about the following two hypothetical scenarios.

### **Scenario 1: Nike Celebrates Former Employee's 80th Birthday**

Four weeks ago, on July 11, 2024, Nike celebrated the 80th birthday of its former employee, Jack Thompson. As a nod to Jack's long-time contribution to the company, a group of Nike's current employees gathered to throw him a surprise birthday party. The small celebration was filled with happiness, laughter, nostalgia, and stories of Jack's time at Nike. The jubilarian was deeply touched, reflecting on the many cherished moments he had with the company that still remembered him.

### **Scenario 2: Nike Mourns Passing of Beloved Ex-Employee**

Four weeks ago, on July 11, 2024, Nike mourned the loss of Jack Thompson, a revered former employee who passed away at the age of 79, mere days shy of his 80th birthday. Jack, known for his dedication and pioneering work, had a lasting impact on the company. The sportswear giant expressed its deep condolences, sentiments that were shared by a multitude of former coworkers upon hearing the sad news.

**In both scenarios, the announcement was made four weeks ago. Neither scenario has any consequences for Nike's future business prospects.**

## Quiz

**Please select all correct statements in the following list. Do not select any incorrect statements.**

The scenarios are about a lawsuit against Nike.

The scenarios are about a former employee of Nike.

In both scenarios, the announcement was made four weeks ago.

In both scenarios, the announcement was made earlier today.

In scenario 1, Nike celebrates the 80th birthday of its former employee. In scenario 2, Nike mourns his death.

In scenario 2, Nike mourns the death of its former employee. In scenario 2, Nike celebrates his 80th birthday.

Neither scenario has any consequences for Nike's future business prospects.

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## Your prediction

**Review the two scenarios** (*click to open detailed description*)

- **Scenario 1: Nike Celebrates Former Employee's 80th Birthday**
- **Scenario 2: Nike Mourns Passing of Beloved Ex-Employee**

The announcements were made four weeks ago. Neither scenario has any consequences for Nike's future business prospects.

Imagine that you invest \$1000 in Nike stocks today, **four weeks after the announcement was made in the two scenarios**. Imagine that you sell these stocks in twelve months from now.

**Now, we would like you to think about the return of this investment.**

**The expected return of a \$1000 investment in Nike stocks over the next twelve months would be ...**

higher in scenario 1.

similar in both scenarios.

higher in scenario 2.

*"Similar in both scenarios" means that the difference in returns is smaller than or equal to 0.5 percentage points.*

**How confident are you in your above prediction?** Please answer on a scale from 1 (Not confident at all) to 6 (Very confident).



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## Your explanation

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**Review the two scenarios** (*click to open detailed description*)

- **Scenario 1: Nike Celebrates Former Employee's 80th Birthday**
- **Scenario 2: Nike Mourns Passing of Beloved Ex-Employee**

The announcements were made four weeks ago. Neither scenario has any consequences for Nike's future business prospects.

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For the following investment ...

You invest \$1,000 in Nike stocks today, **four weeks after the announcement was made in the two scenarios.**

You sell these stocks twelve months from now.

... you responded that you expect that the **return of the investment in Nike stocks would be similar in both scenarios..**

**Please explain why you think that would be the case.**

