

# Preregistration: Mental Models of the Stock Market Context Study

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

## Study parameters

- Sample size: 3,000 (about 500 per treatment or about 250 if additionally accounting for randomized good or bad scenario)
- Sample type: Prolific sample (no quotas)
- Start of data collection: March 31, 2025 (after preregistration)
- Number of treatments: 6 (12 if additionally accounting for randomized good or bad scenario)
- Randomization method: Computerized via Qualtrics
- We plan to work only with 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 control condition of the study is a shorter version of the main descriptive survey for households (see full instructions of the main survey), while the five treatment conditions vary the description of the scenarios the respondents see in different ways. A random half of the respondents are assigned to the *Nike good news* scenario, while the other half are assigned to the *Nike bad news* scenario. The assignment to the *Nike good news* or the *Nike bad news* scenario is orthogonal to the assignment into control or one of the treatment groups. The shortened version contains the following questions:

- 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 study involves the following experimental conditions.

**Control:** Standard version of the scenario, prediction and explanation screens.

**Neutral qualitative price info:** The description of scenario 2 on the scenario screen (the good news or the bad news scenario) contains additional information that the stock price increased (good news case) or decreased (bad news case) since the announcement. The wording of the additional price information is as neutral as possible. This additional information is also featured in the scenario heading and on the screens where the respondents predict the return and where they explain their return prediction.

**Neutral quantitative price info 10%:** The description of scenario 2 on the scenario screen (the good news or the bad news scenario) contains additional information that the stock price increased (good news case) or decreased (bad news case) by 10% since the announcement. The wording of the additional price information is as neutral as possible. This additional information is also featured in the scenario heading and on the screens where the respondents predict the return and where they explain their return prediction.

**Neutral quantitative price info 30%:** The description of scenario 2 on the scenario screen (the good news or the bad news scenario) contains additional information that the stock price increased (good news case) or decreased (bad news case) by 30% since the announcement. The wording of the additional price information is as neutral as possible. This additional information is also featured in the scenario heading and on the screens where the respondents predict the return and where they explain their return prediction.

**Overreaction price info 10%:** The description of scenario 2 on the scenario screen (the good news or the bad news scenario) contains additional information that the stock price increased (good news case) or decreased (bad news case) by 10% since the announcement. The additional price information is worded to invoke the notion of market overreaction. This additional information is also featured in the scenario heading and on the screens where the respondents predict the return and where they explain their return prediction.

**Efficient price info 10%:** The description of scenario 2 on the scenario screen (the good news or the bad news scenario) contains additional information that the stock price increased (good news case) or decreased (bad news case) by 10% since the announcement. The additional price information is worded to invoke the notion

of an efficient market reaction. This additional information is also featured in the scenario heading and on the screens where the respondents predict the return and where they explain their return prediction.

The precise instructions of the key survey screens in the different conditions are attached below.

**Research question** Do scenario descriptions that feature price information of different forms shift respondents' return predictions and reasoning?

# Control condition (good news case)

## Two scenarios

Please think about the following two hypothetical scenarios.

### Scenario 1: Nike maintains supplier partnership

Four weeks ago, on March 3, 2025, Nike Inc. announced the continuation of its partnership with major polyester supplier Toray Industries Inc., in a move aimed at retaining its current supply chain. The continuation of the partnership is expected to maintain the company's current cost structure. Industry experts were not surprised by the announcement, as continuity in supplier relationships is a common practice in the industry.

### Scenario 2: Nike secures cost-saving partnership

Four weeks ago, on March 3, 2025, Nike Inc. announced a new strategic partnership with leading recycled polyester supplier Unifi Inc., aimed at reducing raw material costs by 20%. The deal is expected to have a significant impact on Nike's bottom line, making its products more price-competitive. Industry experts were pleasantly surprised by the news and dubbed it an "unexpected success" for the company. They projected the move to significantly enhance Nike's market position in the sports apparel industry.

**In both scenarios, the announcement was made four weeks ago and received a lot of attention from stock market traders.**

## 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 Nike's supply chain partnerships.

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

In both scenarios, the announcement was made earlier today.

In both scenarios, the announcement did not receive a lot of attention among stock market traders.

In both scenarios, the announcement received a lot of attention among stock market traders.

In scenario 1, Nike maintains its current supply partnerships. In scenario 2, Nike secures a new supply partnership.

In scenario 1, Nike secures a new supply partnership. In scenario 2, Nike maintains its current supply partnerships.

## Your prediction

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

- ▶ **Scenario 1: Nike maintains supplier partnership**
- ▶ **Scenario 2: Nike secures cost-saving partnership**

In both scenarios, the announcement was made four weeks ago and received a lot of attention from stock market traders.

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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.

[...]

# Control condition (bad news case)

## Two scenarios

Please think about the following two hypothetical scenarios.

### Scenario 1: Nike maintains supplier partnership

Four weeks ago, on March 3, 2025, Nike Inc. announced the continuation of its partnership with major polyester supplier Toray Industries Inc., in a move aimed at retaining its current supply chain. The continuation of the partnership is expected to maintain the company's current cost structure. Industry experts were not surprised by the announcement, as continuity in supplier relationships is a common practice in the industry.

### Scenario 2: Nike faces supply chain disruption

Four weeks ago, on March 3, 2025, Nike Inc. announced that it is discontinuing its long-standing partnership with major polyester supplier Toray Industries Inc., in a move that is expected to increase the company's production costs by 20%. The sudden termination disrupts Nike's supply chain, leading to higher raw material costs. Industry experts were negatively surprised by the news and dubbed it an "unexpected setback" for Nike. They projected the move to significantly weaken the company's market position in the sports apparel industry.

**In both scenarios, the announcement was made four weeks ago and received a lot of attention from stock market traders.**

## 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 Nike's supply chain partnerships.

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

In both scenarios, the announcement was made earlier today.

In both scenarios, the announcement did not receive a lot of attention among stock market traders.

In both scenarios, the announcement received a lot of attention among stock market traders.

In scenario 1, Nike maintains its current supply partnerships. In scenario 2, Nike discontinues an existing supply partnership.

In scenario 1, Nike discontinues an existing supply partnership. In scenario 2, Nike maintains its current supply partnerships.

## Your prediction

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

- ▶ **Scenario 1: Nike maintains supplier partnership**
- ▶ **Scenario 2: Nike faces supply chain disruption**

In both scenarios, the announcement was made four weeks ago and received a lot of attention from stock market traders.

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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.

[...]

# ***Neutral qualitative price info condition (good news case)***

## **Two scenarios**

Please think about the following two hypothetical scenarios.

### **Scenario 1: Nike maintains supplier partnership, stock price unchanged**

Four weeks ago, on March 3, 2025, Nike Inc. announced the continuation of its partnership with major polyester supplier Toray Industries Inc., in a move aimed at retaining its current supply chain. The continuation of the partnership is expected to maintain the company's current cost structure. Industry experts were not surprised by the announcement, as continuity in supplier relationships is a common practice in the industry.

The price of Nike stock did not change in response to the announcement.

### **Scenario 2: Nike secures cost-saving partnership, stock price increased**

Four weeks ago, on March 3, 2025, Nike Inc. announced a new strategic partnership with leading recycled polyester supplier Unifi Inc., aimed at reducing raw material costs by 20%. The deal is expected to have a significant impact on Nike's bottom line, making its products more price-competitive. Industry experts were pleasantly surprised by the news and dubbed it an "unexpected success" for the company. They projected the move to significantly enhance Nike's market position in the sports apparel industry.

The announcement generated interest among stock traders, who were now willing to pay a higher price for the stock. This increased demand drove up the stock price, leaving Nike shares trading at a higher price compared to pre-announcement levels.

**In both scenarios, the announcement was made four weeks ago and received a lot of attention from stock market traders. In scenario 2, the price of Nike rose over the past four weeks.**

## **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 Nike's supply chain partnerships.

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

In both scenarios, the announcement was made earlier today.

In both scenarios, the announcement did not receive a lot of attention among stock market traders.

In both scenarios, the announcement received a lot of attention among stock market traders.

Both scenarios describe the price response of Nike stock *in the past four weeks*. The stock price remained unchanged in scenario 1. In scenario 2, the stock price increased.

Both scenarios describe the price response of Nike stock *in the next days*.

## Your prediction

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

- ▶ **Scenario 1: Nike maintains supplier partnership, stock price unchanged**
- ▶ **Scenario 2: Nike secures cost-saving partnership, stock price increased**

In both scenarios, the announcement was made four weeks ago and received a lot of attention from stock market traders. In scenario 2, the price of Nike rose over the past four weeks.

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Imagine that you invest \$1000 in Nike stocks **today**. This means you invest **four weeks after the announcement**. Hence, you invest after the stock price has changed as described in the scenarios. Imagine that you sell these stocks in twelve months from now.

[...]

# ***Neutral qualitative price info condition (bad news case)***

## **Two scenarios**

Please think about the following two hypothetical scenarios.

### **Scenario 1: Nike maintains supplier partnership, stock price unchanged**

Four weeks ago, on March 3, 2025, Nike Inc. announced the continuation of its partnership with major polyester supplier Toray Industries Inc., in a move aimed at retaining its current supply chain. The continuation of the partnership is expected to maintain the company's current cost structure. Industry experts were not surprised by the announcement, as continuity in supplier relationships is a common practice in the industry.

The price of Nike stock did not change in response to the announcement.

### **Scenario 2: Nike faces supply chain disruption, stock price decreased**

Four weeks ago, on March 3, 2025, Nike Inc. announced that it is discontinuing its long-standing partnership with major polyester supplier Toray Industries Inc., in a move that is expected to increase the company's production costs by 20%. The sudden termination disrupts Nike's supply chain, leading to higher raw material costs. Industry experts were negatively surprised by the news and dubbed it an "unexpected setback" for Nike. They projected the move to significantly weaken the company's market position in the sports apparel industry.

The announcement prompted caution among stock traders, who were now only willing to pay a lower price for the stock. This reduced demand drove down the stock price, leaving Nike shares trading at a lower price compared to pre-announcement levels.

**In both scenarios, the announcement was made four weeks ago and received a lot of attention from stock market traders. In scenario 2, the price of Nike stock fell over the past four weeks.**

## **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 Nike's supply chain partnerships.

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

In both scenarios, the announcement was made earlier today.

In both scenarios, the announcement did not receive a lot of attention among stock market traders.

In both scenarios, the announcement received a lot of attention among stock market traders.

Both scenarios describe the price response of Nike stock *in the past four weeks*. The stock price remained unchanged in scenario 1. In scenario 2, the stock price decreased.

Both scenarios describe the price response of Nike stock *in the next days*.

## Your prediction

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

- ▶ **Scenario 1: Nike maintains supplier partnership, stock price unchanged**
- ▶ **Scenario 2: Nike faces supply chain disruption, stock price decreased**

In both scenarios, the announcement was made four weeks ago and received a lot of attention from stock market traders. In scenario 2, the price of Nike stock fell over the past four weeks.

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Imagine that you invest \$1000 in Nike stocks **today**. This means you invest **four weeks after the announcement**. Hence, you invest after the stock price has changed as described in the scenarios. Imagine that you sell these stocks in twelve months from now.

[...]

# ***Neutral quantitative price info 10% condition (good news case)***

## **Two scenarios**

Please think about the following two hypothetical scenarios.

### **Scenario 1: Nike maintains supplier partnership, stock price unchanged**

Four weeks ago, on March 3, 2025, Nike Inc. announced the continuation of its partnership with major polyester supplier Toray Industries Inc., in a move aimed at retaining its current supply chain. The continuation of the partnership is expected to maintain the company's current cost structure. Industry experts were not surprised by the announcement, as continuity in supplier relationships is a common practice in the industry.

The price of Nike stock did not change in response to the announcement.

### **Scenario 2: Nike secures cost-saving partnership, stock price increased by 10%**

Four weeks ago, on March 3, 2025, Nike Inc. announced a new strategic partnership with leading recycled polyester supplier Unifi Inc., aimed at reducing raw material costs by 20%. The deal is expected to have a significant impact on Nike's bottom line, making its products more price-competitive. Industry experts were pleasantly surprised by the news and dubbed it an "unexpected success" for the company. They projected the move to significantly enhance Nike's market position in the sports apparel industry.

The announcement generated interest among stock traders, who were now willing to pay a higher price for the stock. This increased demand drove up the stock price by 10%, leaving Nike shares trading at a higher price compared to pre-announcement levels.

**In both scenarios, the announcement was made four weeks ago and received a lot of attention from stock market traders. In scenario 2, the price of Nike stock rose by 10% over the past four weeks.**

## **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 Nike's supply chain partnerships.

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

In both scenarios, the announcement was made earlier today.

In both scenarios, the announcement did not receive a lot of attention among stock market traders.

In both scenarios, the announcement received a lot of attention among stock market traders.

Both scenarios describe the price response of Nike stock *in the past four weeks*. The stock price remained unchanged in scenario 1. In scenario 2, the stock price increased by 10%.

Both scenarios describe the price response of Nike stock *in the next days*.

## Your prediction

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

- ▶ **Scenario 1: Nike maintains supplier partnership, stock price unchanged**
- ▶ **Scenario 2: Nike secures cost-saving partnership, stock price increased by 10%**

In both scenarios, the announcement was made four weeks ago and received a lot of attention from stock market traders. In scenario 2, the price of Nike stock rose by 10% over the past four weeks.

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Imagine that you invest \$1000 in Nike stocks **today**. This means you invest **four weeks after the announcement**. Hence, you invest after the stock price has changed as described in the scenarios. Imagine that you sell these stocks in twelve months from now.

[...]

# ***Neutral quantitative price info 10% condition (bad news case)***

## **Two scenarios**

Please think about the following two hypothetical scenarios.

### **Scenario 1: Nike maintains supplier partnership, stock price unchanged**

Four weeks ago, on March 3, 2025, Nike Inc. announced the continuation of its partnership with major polyester supplier Toray Industries Inc., in a move aimed at retaining its current supply chain. The continuation of the partnership is expected to maintain the company's current cost structure. Industry experts were not surprised by the announcement, as continuity in supplier relationships is a common practice in the industry.

The price of Nike stock did not change in response to the announcement.

### **Scenario 2: Nike faces supply chain disruption, stock price decreased by 10%**

Four weeks ago, on March 3, 2025, Nike Inc. announced that it is discontinuing its long-standing partnership with major polyester supplier Toray Industries Inc., in a move that is expected to increase the company's production costs by 20%. The sudden termination disrupts Nike's supply chain, leading to higher raw material costs. Industry experts were negatively surprised by the news and dubbed it an "unexpected setback" for Nike. They projected the move to significantly weaken the company's market position in the sports apparel industry.

The announcement prompted caution among stock traders, who were now only willing to pay a lower price for the stock. This reduced demand drove down the stock price by 10%, leaving Nike shares trading at a lower price compared to pre-announcement levels.

**In both scenarios, the announcement was made four weeks ago and received a lot of attention from stock market traders. In scenario 2, the price of Nike stock fell by 10% over the past four weeks.**

## **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 Nike's supply chain partnerships.

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

In both scenarios, the announcement was made earlier today.

In both scenarios, the announcement did not receive a lot of attention among stock market traders.

In both scenarios, the announcement received a lot of attention among stock market traders.

Both scenarios describe the price response of Nike stock *in the past four weeks*. The stock price remained unchanged in scenario 1. In scenario 2, the stock price decreased by 10%.

Both scenarios describe the price response of Nike stock *in the next days*.

## Your prediction

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

- ▶ **Scenario 1: Nike maintains supplier partnership, stock price unchanged**
- ▶ **Scenario 2: Nike faces supply chain disruption, stock price decreased by 10%**

In both scenarios, the announcement was made four weeks ago and received a lot of attention from stock market traders. In scenario 2, the price of Nike stock fell by 10% over the past four weeks.

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Imagine that you invest \$1000 in Nike stocks **today**. This means you invest **four weeks after the announcement**. Hence, you invest after the stock price has changed as described in the scenarios. Imagine that you sell these stocks in twelve months from now.

[...]

# ***Neutral quantitative price info 30% condition (good news case)***

## **Two scenarios**

Please think about the following two hypothetical scenarios.

### **Scenario 1: Nike maintains supplier partnership, stock price unchanged**

Four weeks ago, on March 3, 2025, Nike Inc. announced the continuation of its partnership with major polyester supplier Toray Industries Inc., in a move aimed at retaining its current supply chain. The continuation of the partnership is expected to maintain the company's current cost structure. Industry experts were not surprised by the announcement, as continuity in supplier relationships is a common practice in the industry.

The price of Nike stock did not change in response to the announcement.

### **Scenario 2: Nike secures cost-saving partnership, stock price increased by 30%**

Four weeks ago, on March 3, 2025, Nike Inc. announced a new strategic partnership with leading recycled polyester supplier Unifi Inc., aimed at reducing raw material costs by 20%. The deal is expected to have a significant impact on Nike's bottom line, making its products more price-competitive. Industry experts were pleasantly surprised by the news and dubbed it an "unexpected success" for the company. They projected the move to significantly enhance Nike's market position in the sports apparel industry.

The announcement generated interest among stock traders, who were now willing to pay a higher price for the stock. This increased demand drove up the stock price by 30%, leaving Nike shares trading at a higher price compared to pre-announcement levels.

**In both scenarios, the announcement was made four weeks ago and received a lot of attention from stock market traders. In scenario 2, the price of Nike stock rose by 30% over the past four weeks.**

## **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 Nike's supply chain partnerships.

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

In both scenarios, the announcement was made earlier today.

In both scenarios, the announcement did not receive a lot of attention among stock market traders.

In both scenarios, the announcement received a lot of attention among stock market traders.

Both scenarios describe the price response of Nike stock *in the past four weeks*. The stock price remained unchanged in scenario 1. In scenario 2, the stock price increased by 30%.

Both scenarios describe the price response of Nike stock *in the next days*.

## Your prediction

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

- ▶ **Scenario 1: Nike maintains supplier partnership, stock price unchanged**
- ▶ **Scenario 2: Nike secures cost-saving partnership, stock price increased by 30%**

In both scenarios, the announcement was made four weeks ago and received a lot of attention from stock market traders. In scenario 2, the price of Nike stock rose by 30% over the past four weeks.

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Imagine that you invest \$1000 in Nike stocks **today**. This means you invest **four weeks after the announcement**. Hence, you invest after the stock price has changed as described in the scenarios. Imagine that you sell these stocks in twelve months from now.

[...]

# ***Neutral quantitative price info 30% condition (bad news case)***

## **Two scenarios**

Please think about the following two hypothetical scenarios.

### **Scenario 1: Nike maintains supplier partnership, stock price unchanged**

Four weeks ago, on March 3, 2025, Nike Inc. announced the continuation of its partnership with major polyester supplier Toray Industries Inc., in a move aimed at retaining its current supply chain. The continuation of the partnership is expected to maintain the company's current cost structure. Industry experts were not surprised by the announcement, as continuity in supplier relationships is a common practice in the industry.

The price of Nike stock did not change in response to the announcement.

### **Scenario 2: Nike faces supply chain disruption, stock price decreased by 30%**

Four weeks ago, on March 3, 2025, Nike Inc. announced that it is discontinuing its long-standing partnership with major polyester supplier Toray Industries Inc., in a move that is expected to increase the company's production costs by 20%. The sudden termination disrupts Nike's supply chain, leading to higher raw material costs. Industry experts were negatively surprised by the news and dubbed it an "unexpected setback" for Nike. They projected the move to significantly weaken the company's market position in the sports apparel industry.

The announcement prompted caution among stock traders, who were now only willing to pay a lower price for the stock. This reduced demand drove down the stock price by 30%, leaving Nike shares trading at a lower price compared to pre-announcement levels.

**In both scenarios, the announcement was made four weeks ago and received a lot of attention from stock market traders. In scenario 2, the price of Nike stock fell by 30% over the past four weeks.**

## **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 Nike's supply chain partnerships.

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

In both scenarios, the announcement was made earlier today.

In both scenarios, the announcement did not receive a lot of attention among stock market traders.

In both scenarios, the announcement received a lot of attention among stock market traders.

Both scenarios describe the price response of Nike stock *in the past four weeks*. The stock price remained unchanged in scenario 1. In scenario 2, the stock price decreased by 30%.

Both scenarios describe the price response of Nike stock *in the next days*.

## Your prediction

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

- ▶ **Scenario 1: Nike maintains supplier partnership, stock price unchanged**
- ▶ **Scenario 2: Nike faces supply chain disruption, stock price decreased by 30%**

In both scenarios, the announcement was made four weeks ago and received a lot of attention from stock market traders. In scenario 2, the price of Nike stock fell by 30% over the past four weeks.

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Imagine that you invest \$1000 in Nike stocks **today**. This means you invest **four weeks after the announcement**. Hence, you invest after the stock price has changed as described in the scenarios. Imagine that you sell these stocks in twelve months from now.

[...]

# Overreaction price info 10% condition (good news case)

## Two scenarios

Please think about the following two hypothetical scenarios.

### **Scenario 1: Nike maintains supplier partnership, stock price unchanged**

Four weeks ago, on March 3, 2025, Nike Inc. announced the continuation of its partnership with major polyester supplier Toray Industries Inc., in a move aimed at retaining its current supply chain. The continuation of the partnership is expected to maintain the company's current cost structure. Industry experts were not surprised by the announcement, as continuity in supplier relationships is a common practice in the industry.

The price of Nike stock did not change in response to the announcement.

### **Scenario 2: Traders exuberant: Nike secures cost-saving partnership, stock price soared by 10%**

Four weeks ago, on March 3, 2025, Nike Inc. announced a new strategic partnership with leading recycled polyester supplier Unifi Inc., aimed at reducing raw material costs by 20%. The deal is expected to have a significant impact on Nike's bottom line, making its products more price-competitive. Industry experts were pleasantly surprised by the news and dubbed it an "unexpected success" for the company. They projected the move to significantly enhance Nike's market position in the sports apparel industry.

The announcement generated a lot of hype among stock traders, who rushed to buy Nike shares amid the excitement surrounding the deal. This enthusiasm sent the stock price skyrocketing by 10%, leaving Nike shares significantly more expensive compared to pre-announcement levels.

**In both scenarios, the announcement was made four weeks ago and received a lot of attention from stock market traders. In scenario 2, the price of Nike stock rose by 10% over the past four weeks.**

## 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 Nike's supply chain partnerships.

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

In both scenarios, the announcement was made earlier today.

In both scenarios, the announcement did not receive a lot of attention among stock market traders.

In both scenarios, the announcement received a lot of attention among stock market traders.

Both scenarios describe the price response of Nike stock *in the past four weeks*. The stock price remained unchanged in scenario 1. In scenario 2, traders became exuberant, and the stock price soared by 10%.

Both scenarios describe the price response of Nike stock *in the next days*.

## Your prediction

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

- **Scenario 1: Nike maintains supplier partnership, stock price unchanged**
- **Scenario 2: Traders exuberant: Nike secures cost-saving partnership, stock price soared by 10%**

In both scenarios, the announcement was made four weeks ago and received a lot of attention from stock market traders. In scenario 2, the price of Nike stock rose by 10% over the past four weeks.

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Imagine that you invest \$1000 in Nike stocks **today**. This means you invest **four weeks after the announcement. Hence, you invest after the stock price has changed as described in the scenarios**. Imagine that you sell these stocks in twelve months from now.

[...]

# Overreaction price info 10% condition (bad news case)

## Two scenarios

Please think about the following two hypothetical scenarios.

### Scenario 1: Nike maintains supplier partnership, stock price unchanged

Four weeks ago, on March 3, 2025, Nike Inc. announced the continuation of its partnership with major polyester supplier Toray Industries Inc., in a move aimed at retaining its current supply chain. The continuation of the partnership is expected to maintain the company's current cost structure. Industry experts were not surprised by the announcement, as continuity in supplier relationships is a common practice in the industry.

The price of Nike stock did not change in response to the announcement.

### Scenario 2: Traders panic: Nike faces supply chain disruption, stock price

#### plummeted by 10%

Four weeks ago, on March 3, 2025, Nike Inc. announced that it is discontinuing its long-standing partnership with major polyester supplier Toray Industries Inc., in a move that is expected to increase the company's production costs by 20%. The sudden termination disrupts Nike's supply chain, leading to higher raw material costs. Industry experts were negatively surprised by the news and dubbed it an "unexpected setback" for Nike. They projected the move to significantly weaken the company's market position in the sports apparel industry.

The announcement shocked stock traders, who rushed to sell Nike shares amid fears surrounding the news. This selloff sent the stock price plummeting by 10%, leaving Nike shares significantly cheaper compared to pre-announcement levels.

**In both scenarios, the announcement was made four weeks ago and received a lot of attention from stock market traders. In scenario 2, the price of Nike stock fell by 10% over the past four weeks.**

## 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 Nike's supply chain partnerships.

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

In both scenarios, the announcement was made earlier today.

In both scenarios, the announcement did not receive a lot of attention among stock market traders.

In both scenarios, the announcement received a lot of attention among stock market traders.

Both scenarios describe the price response of Nike stock *in the past four weeks*. The stock price remained unchanged in scenario 1. In scenario 2, traders started panicking, and the stock price plummeted by 10%.

Both scenarios describe the price response of Nike stock *in the next days*.

## Your prediction

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

- **Scenario 1: Nike maintains supplier partnership, stock price unchanged**
- **Scenario 2: Traders panic: Nike faces supply chain disruption, stock price plummeted by 10%**

In both scenarios, the announcement was made four weeks ago and received a lot of attention from stock market traders. In scenario 2, the price of Nike stock fell by 10% over the past four weeks.

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Imagine that you invest \$1000 in Nike stocks **today**. This means you invest **four weeks after the announcement**. Hence, you invest after the stock price has changed as described in the scenarios. Imagine that you sell these stocks in twelve months from now.

[...]

# Efficient price info 10% condition (good news case)

## Two scenarios

Please think about the following two hypothetical scenarios.

### Scenario 1: Nike maintains supplier partnership, stock price unchanged

Four weeks ago, on March 3, 2025, Nike Inc. announced the continuation of its partnership with major polyester supplier Toray Industries Inc., in a move aimed at retaining its current supply chain. The continuation of the partnership is expected to maintain the company's current cost structure. Industry experts were not surprised by the announcement, as continuity in supplier relationships is a common practice in the industry.

The price of Nike stock did not change in response to the announcement.

### Scenario 2: Nike secures cost-saving partnership, stock price promptly increased by 10%

Four weeks ago, on March 3, 2025, Nike Inc. announced a new strategic partnership with leading recycled polyester supplier Unifi Inc., aimed at reducing raw material costs by 20%. The deal is expected to have a significant impact on Nike's bottom line, making its products more price-competitive. Industry experts were pleasantly surprised by the news and dubbed it an "unexpected success" for the company. They projected the move to significantly enhance Nike's market position in the sports apparel industry.

The announcement was quickly taken into account by stock traders, who were now willing to pay a higher price for the stock, reflecting Nike's higher future earnings potential. Within a day, their increased demand raised the stock price by 10%, leaving Nike shares trading at a higher price compared to pre-announcement levels.

**In both scenarios, the announcement was made four weeks ago and received a lot of attention from stock market traders. In scenario 2, the price of Nike stock rose by 10% over the past four weeks.**

## 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 Nike's supply chain partnerships.

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

In both scenarios, the announcement was made earlier today.

In both scenarios, the announcement did not receive a lot of attention among stock market traders.

In both scenarios, the announcement received a lot of attention among stock market traders.

Both scenarios describe the price response of Nike stock *in the past four weeks*. The stock price remained unchanged in scenario 1. In scenario 2, traders responded quickly, and the stock price increased by 10%.

Both scenarios describe the price response of Nike stock *in the next days*.

## Your prediction

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

- ▶ **Scenario 1: Nike maintains supplier partnership, stock price unchanged**
- ▶ **Scenario 2: Nike secures cost-saving partnership, stock price promptly increased by 10%**

In both scenarios, the announcement was made four weeks ago and received a lot of attention from stock market traders. In scenario 2, the price of Nike stock rose by 10% over the past four weeks.

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Imagine that you invest \$1000 in Nike stocks **today**. This means you invest **four weeks after the announcement. Hence, you invest after the stock price has changed as described in the scenarios**. Imagine that you sell these stocks in **twelve months from now**.

[...]

# *Efficient price info 10% condition (bad news case)*

## **Two scenarios**

Please think about the following two hypothetical scenarios.

### **Scenario 1: Nike maintains supplier partnership, stock price unchanged**

Four weeks ago, on March 3, 2025, Nike Inc. announced the continuation of its partnership with major polyester supplier Toray Industries Inc., in a move aimed at retaining its current supply chain. The continuation of the partnership is expected to maintain the company's current cost structure. Industry experts were not surprised by the announcement, as continuity in supplier relationships is a common practice in the industry.

The price of Nike stock did not change in response to the announcement.

### **Scenario 2: Nike faces supply chain disruption, stock price promptly decreased by 10%**

Four weeks ago, on March 3, 2025, Nike Inc. announced that it is discontinuing its long-standing partnership with major polyester supplier Toray Industries Inc., in a move that is expected to increase the company's production costs by 20%. The sudden termination disrupts Nike's supply chain, leading to higher raw material costs. Industry experts were negatively surprised by the news and dubbed it an "unexpected setback" for Nike. They projected the move to significantly weaken the company's market position in the sports apparel industry.

The announcement was quickly taken into account by stock traders, who were now only willing to pay a lower price for the stock, reflecting Nike's lower future earnings potential. Within a day, their decreased demand lowered the stock price by 10%, leaving Nike shares trading at a lower price compared to pre-announcement levels.

**In both scenarios, the announcement was made four weeks ago and received a lot of attention from stock market traders. In scenario 2, the price of Nike stock fell by 10% over the past four weeks.**

## **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 Nike's supply chain partnerships.

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

In both scenarios, the announcement was made earlier today.

In both scenarios, the announcement did not receive a lot of attention among stock market traders.

In both scenarios, the announcement received a lot of attention among stock market traders.

Both scenarios describe the price response of Nike stock *in the past four weeks*. The stock price remained unchanged in scenario 1. In scenario 2, traders responded quickly, and the stock price decreased by 10%.

Both scenarios describe the price response of Nike stock *in the next days*.

## Your prediction

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

- ▶ **Scenario 1: Nike maintains supplier partnership, stock price unchanged**
- ▶ **Scenario 2: Nike faces supply chain disruption, stock price promptly decreased by 10%**

In both scenarios, the announcement was made four weeks ago and received a lot of attention from stock market traders. In scenario 2, the price of Nike stock fell by 10% over the past four weeks.

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Imagine that you invest \$1000 in Nike stocks **today**. This means you invest **four weeks after the announcement. Hence, you invest after the stock price has changed as described in the scenarios**. Imagine that you sell these stocks in **twelve months from now**.

[...]