

Preregistration: Mental Models of the Stock Market Risk Study

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

Study parameters

- Sample size: 900 (about 300 per treatment)
- Sample type: Prolific UK sample (no quotas)
- Start of data collection: February 2, 2026 (after preregistration)
- Number of treatments: 3
- 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 questions screening for inattention, bots and AI use. 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 treatment condition varies the description of the scenarios the respondents see. All conditions build on the *Nike good news* scenario. 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
- Prediction: In which scenario are the future expected earnings of Nike over the next year higher? In which scenario is the uncertainty of the return higher? In which scenario is exposure to systematic risk higher?

- Background characteristics

The study involves the following experimental conditions.

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

Low risk condition: The description of scenario 2 on the scenario screen contains additional information that Nike's earnings have become more predictable. The additional information is also featured in the scenario heading and on the screens where the respondents predict the return, earnings, uncertainty or exposure to market risk, where they explain their return prediction, and where they rate their overall feeling when reading the two scenarios.

High risk condition: The description of scenario 2 on the scenario screen contains additional information that Nike's earnings have become less predictable. The additional information is also featured in the scenario heading and hence also on the screens where the respondents predict the return, earnings, uncertainty or exposure to market risk, and where they explain their return prediction.

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

Research question Does good news that is accompanied with higher or with lower risk shift respondents' return predictions and reasoning?

Control condition

Two scenarios

Please think about the following two hypothetical scenarios.

Scenario 1: Nike maintains supplier partnership

Four weeks ago, on January 5, 2026, 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 January 5, 2026, 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

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.

Imagine that you invest \$1,000 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.

[...]

Low risk condition

Two scenarios

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Scenario 2: Nike secures cost-saving partnership; company's earnings now easier to predict

Four weeks ago, on January 5, 2026, 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.

Analysts highlight that another important effect of the switch is a marked increase in earnings stability. Working with Unifi is expected to substantially reduce cost fluctuations and enable more reliable forecasting, making Nike's future earnings far more predictable.

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- ☐ 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 2, Nike's earnings become more predictable.
- ☐ In scenario 2, Nike's earnings become less predictable.

Your prediction

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

- **Scenario 1: Nike maintains supplier partnership**
- **Scenario 2: Nike secures cost-saving partnership; company's earnings now easier to predict**

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High risk condition

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While Nike and industry experts agree that 20% is the best estimate for the cost savings, there is still considerable uncertainty around the actual outcome. Analysts believe Nike could realize much larger savings than expected, but also recognize the possibility that production costs might end up slightly higher than before. With outcomes ranging from significantly lower to slightly higher costs, Nike's future earnings become much harder to predict — even though substantial cost savings remain the most likely scenario.

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- ☐ In scenario 2, Nike's earnings become less predictable.
- ☐ In scenario 2, Nike's earnings become more predictable.

Your prediction

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

- **Scenario 1: Nike maintains supplier partnership**
- **Scenario 2: Nike secures cost-saving partnership; company's earnings now harder to predict**

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