Preregistration: Mental Models of the Stock Market

Closed-ended Question Format Study

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In addition to the existing preregistration plan, we preregister the Closed-Ended Question Format Study.

Study parameters

- Sample size: we aim for 300 completes but anticipate problems finding enough respondents, so the final sample may be smaller.
- Sample type: Prolific US sample (no quotas)
- Start of data collection: February 26, 2026 (after preregistration)
- 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 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 study is mostly a shorter version of the main descriptive survey for households (see full instructions of the main survey). We only consider the *Nike good news* case. 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
- Closed-ended explanation of prediction
- Background characteristics

Research question How do households explain their return forecasts when asked in a closed-ended format?

Closed-ended question on reasoning underlying return forecast

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.

What would you expect? In which scenario would the return of this investment in Nike stocks be higher?

The expected return 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).

Not confident at all **1**	**2**	**3**	**4**	**5**	Very confident **6**
◯	◯	◯	◯	◯	◯

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Important

On the next page, you will encounter __an open question__ in which we will ask you to explain the prediction that you made on the previous page.

From our experience, it can take about **2 minutes** to complete this question.

Your responses are very valuable for this research project. Therefore, **please take your time to respond carefully.**

→

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Your explanation

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.

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 higher in scenario 1.**

Please explain why you think that would be the case.

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Your reasoning

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.

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 higher in scenario 1.**

Which of the following statements best describes your reasoning?

Note: We are interested in what you had on your mind when making the forecast on a previous screen, not in which perspective you consider correct or most reasonable now that you read it.

- ◯ **The expected future return is higher if the company can be expected to have higher earnings.** The key question is how the news affects Nike's business outlook: profits, costs, sales, margins, growth, and so on.
- ◯ **Expected returns reflect compensation for risk, and stock markets are "efficient".** Expected returns are higher when risk is higher. Because stock prices adjusted when the news became public (market efficiency), good business news for Nike does not imply higher future returns (unless risk changes).
- ◯ **The stock market does not price the news about Nike correctly.** I know better and can make an extra return by betting against the market. For example, after good news, the price can be too low because the market underreacts, or it can be too high because the market overreacts.
- ◯ **Another consideration**