

Asymmetric Learning from Financial Information

CAMELIA M. KUHNEN

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ABSTRACT

This study asks whether investors learn differently from gains versus losses. I find experimental evidence that indicates that being in the negative domain leads individuals to form overly pessimistic beliefs about available investment options. This pessimism bias is driven by people reacting more to low outcomes in the negative domain relative to the positive domain. Such asymmetric learning may help explain documented empirical patterns regarding the differential role of poor versus good economic conditions on investment behavior and household economic choices.

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