You'll say buy, while I'll say sell

Study shows stock market predictions differ by culture

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Caucasians tend to predict that current stock market trends will continue, while Chinese expect them to reverse, according to Li-Jun Ji, a Queen’s University psychology professor.

"The stock market, at its basis, is psychology," says David Chapman, a Toronto-based investment advisor with Union Securities Ltd.

And the way investors think can differ significantly, Ji discovered. Her follow-up study, currently undergoing peer review, suggests that thinking styles can change, but only with deliberate effort.

In Ji’s initial study with co-researchers Zhiyong Zhang and Tieyuan Guo, published in the Journal of Behavioral Decision-Making in October, 2008, Caucasian students from Queen’s University and Chinese students from Peking University were shown line graphs representing a 15-day rise or fall in a stock’s price. Participants in the first part (54 Caucasians and 70 Chinese) were asked whether they would buy the stock, and those in the second part (48 Caucasians and 69 Chinese), whether they would sell it.

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