



Upcoming Seminars

Monday, 21.11.2022

Internal Seminar

13.30-14.30

Jörg Oechssler

AWI room 00.010

"An experiment on robo-advising"

Wednesday, 23.11.2022

Departmental Seminar

13.00-14.00

Kenza Benhima, Université de Lausanne

AWI room 00.010

"Home bias in Survey Expectations"

(Host: Zeno Enders)

Internal Seminar

Jörg Oechssler

"An experiment on robo-advising"*

Robo-advisors are a novel tool in financial markets that provide traders with financial advice and offer asset management based on algorithms. Such algorithms consider individual characteristics of traders when assisting in financial decision making. While there is some work examining regulation of robo-advisors, relatively little is known of the consequences they may have on the behaviour of investors. In this study, we focus on i) the characteristics of robo-advisors that lead to adaptation, ii) characteristics of participants who take up these new financial tools and iii) how robo-advisors influence behaviour of individual traders and shape financial markets in general. To this end, we elicit characteristics of subjects and invite them to join an experimental financial market running over 10 weeks. In each week, subjects choose how to invest into different assets which vary with respect to their relative risk and return. Subjects either have access to robo advice, may delegate all decision to the algorithm, or trade on their own. Decisions of the algorithm and the nature of advice depend on the characteristics we previously elicited. We find no effect on market participation. But robo advisors help investors to avoid mistakes, make rebalancing more frequent, and overall yield portfolios closer to the utility maximizing ones.

*with Marco Lambrecht und Simon Weidenholzer

Departmental Seminar

Kenza Benhima

"Home bias in Survey Expectations"

One potential explanation of the home bias in asset holdings and of capital flow volatility is the asymmetry of information between local and foreign agents. We provide direct evidence of this asymmetry by looking at survey expectations. Using individual GDP growth and inflation forecasts by professional forecasters for a panel of emerging and advanced economies, we show that foreign forecasters make more mistakes than local forecasters. This finding is consistent across country and forecaster types and across sub-periods. This "home bias" in expectations is not due to a more irrational expectation formation by foreigners, but to local forecasters' more precise information. Besides, consistent with a standard noisy information model where foreigners and locals observe the same public signals but locals have more precise private signals, foreign forecasts react more to public signals than the local ones. On the methodological side, we provide two tests that identify differences in information frictions across groups.

Talks and Research Visits

Zeno Enders discussed a paper on labor market reforms at the Franco-German Fiscal Policy Seminar 2022, Ministry of Finance, Berlin, November 14-15.

Pascal Kieren presented his paper "Tests of Recursive Models of Ambiguity Aversion" (with G. Gertsman) at the Annual Meeting of the Society for Judgement and Decision Making in San Diego, November 10-13.

Stefan Trautmann presented the paper "Reverse Bayesianism: Revising beliefs in light of unforeseen events" at the *Berlin Behavioral Economics Seminar*, November 10.

Christian Conrad gave a keynote address on "Forward-Looking Monetary Policy: Some Limitations and Suggestions" (joint with Zeno Enders and Gernot Müller) at the ECB Workshop "Macro-at-Risk Modelling," ECB, November 8.

Christian Conrad presented the paper "Die Inflationsprojektionen der EZB" (joint with Zeno Enders and Gernot Müller) at the conference *Die EZB in der Krise: Ökonomische und juristische Perspektiven*, University of Tübingen, October 28.

New Publications

Trautmann, S. T. (2022): "Procedural Fairness and Equality of Opportunity", *Journal of Economic Surveys*, forthcoming.

Kieren, Pascal, Müller-Dethard, Jan, and Weber, Martin (2022): "Risk-Taking and Asymmetric Learning in Boom and Bust Markets", has been accepted for publication in the *Review of Finance*.

Miscellaneous

Paula von Haaren successfully defended her doctoral thesis, supervised by Stefan Klöner, on: "Essays on public service delivery in India", November 11.

Editorial deadline for issue 24/2022 of the newsletter:
Wednesday, November 23, 2022, 12 p.m.
newsletter@awi.uni-heidelberg.de