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Abstract

Asset price paths provide pure information like returns, prices, and variance of the asset; but also highlight visual properties like peaks, troughs, streaks, highest/lowest price. Recent experimental evidence suggests that these visual properties influence investment behavior. In this project, we test how the salience of visual properties in depictions of an asset’s past performance affects investment behavior. Our experimental data supports the model that the weights investors assign to individual past returns is driven by the initial attention towards specific returns which is determined by the visual salience of respective points on the price path. We use eye-tracking data to train an algorithm predicting which points in a price path are more salient vs not. Our results show that our visual salience model can predict investment behavior and performs better than established weighting models like probability weighting or return saliency.