Handbook of Behavioral Finance

Edited by

Brian Bruce

Founding Director, The Center for Investment Research
CEO and Chief Investment Officer, Hillcrest Asset Management

Edward Elgar
Cheltenham, UK • Northampton, MA, USA
Contents

List of contributors vii
Preface x
List of Abbreviations xii

Introduction 1
Brian Bruce

PART I BEHAVIORAL BIASES

1 Framing effects, selective information and market behavior: an experimental analysis
Erich Kirchler, Boris Maciejovsky and Martin Weber 7

2 Information overload and information presentation in financial decision making
Julie Agnew and Lisa Szykman 25

3 Revealing the information content of investment decisions
Noriyuki Okuyama and Gavin Francis 45

4 The disposition effect and individual investor decisions: the roles of regret and counterfactual alternatives
Suzanne O'Curry Fogel and Thomas Berry 65

5 Overreaction of exchange-traded funds during the bubble of 1998–2002
Jeff Madura and Nivine Richie 81

6 Intentional herding in stock markets: an alternative approach in an international context
Natividad Blasco, Pilar Corredor and Sandra Ferreruela 103

7 Psychic distance in the eight-year crisis: an empirical study
Lili Zhu and Jiawen Yang 122

PART II BEHAVIOR IN THE INVESTMENT PROCESS

8 The effects of higher transaction costs on trader behavior
Ryan Garvey and Anthony Murphy 155

9 Homo communitatis: a rigorous foundation for behavioral finance
H. Joel Jeffrey 166

10 Does mutual fund flow reflect investor sentiment?
Daniel C. Indro 199

11 The impact of motivational and cognitive factors on optimistic earnings forecasts
Anna M. Cianci and Satoris S. Culbertson 215

12 Overconfidence and active management
Christoph Gort and Mei Wang 241
vi Handbook of behavioral finance

13 Availability heuristic and observed bias in growth forecasts: evidence from an analysis of multiple business cycles
   Byunghwan Lee, John O'Brien and K. Sivaramakrishnan

14 Weak and strong individual forecasts: additional experimental evidence
   Lucy F. Ackert, Bryan K. Church and Kirsten Ely

15 Behavioral finance and investment advice
   Kremena Bachmann and Thorsten Hens

PART III GLOBAL BEHAVIOR

16 Measuring the impact of behavioral traders in the market for closed-end country funds from 2002 to 2009
   Hugh Kelley and Tom Evans

17 Holding on to the losers: Finnish evidence
   Mirjam Lehenkari and Jukka Perttunen

18 The impact of business and consumer sentiment on stock market returns: evidence from Brazil
   Pablo Calafiore, Gökçe Soydemir and Rahul Verma

19 The information-adjusted noise model: theory and evidence from the Australian stock market
   Sinclair Davidson and Vikash Ramiah

20 Ambiguity aversion and illusion of control in an emerging market: are individuals subject to behavioral biases?
   Benjamin Miranda Tabak and Dimas Mateus Fazio

21 Behavioral finance in Malaysia
   Ming-Ming Lai, Lee-Lee Chong and Siow-Hooi Tan

Index