



Department SEMINARS

Optimism Shifting

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A B S T R A C T

When investors who are optimistic about the future value of an asset face negative news about that asset, they actively engage in optimism shifting, i.e., they are not only likely to remain optimistic but do so by shifting their optimism to a longer forecast horizon.

We document this novel fact about expectation formation and belief updating in a large sample of predictions from an online platform. Our cross-sectional and cross-forecaster analysis indicates that optimism shifting can be due to forecasters' choice to retain optimistic beliefs about (i) their skill (a confidence channel); (ii) the value of their financial assets (a physical-stakes channel); (iii) the value of their accrued knowledge (an intangible-stakes channel).

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