

**NOT FOR PUBLICATION**

# **Evidence for Countercyclical Risk Aversion: An Experiment with Financial Professionals**

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## **Online Appendix**

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- I. Financial market survey**

## **I. Financial Market Survey**

[English translation from the German original survey]

### **Welcome to the financial market survey of the University of Zurich**

We are conducting a study on investment behavior in Switzerland. Your personal opinions and attitudes are of great interest to us. This is why we kindly ask you to answer all the questions completely and furthermore not to discuss the study with other subjects.

Participation will take about 15 minutes, and with your participation, you will make an important contribution to research. You can – with a little bit of luck – also earn money; one in five subjects wins. At the end of the study, you will determine with a random draw whether you are one of the winners.

Governmental research agencies are funding the study. Your answers will be treated with complete confidentiality, and they will be analyzed in an anonymous form.

Thanks for participating!

About how often do you deal with investment instruments (purchase and sale)?

- Never
- Once a year
- Once every half-year
- Every 3 months
- Once a month
- Every 2 weeks
- Once a week
- Daily

Which one of the following statements best describes your investment behavior?

- I make my own investment decisions based on information which I collect myself
- I follow the advice of my financial advisor but I take the final decision
- I leave the decisions to my financial advisor but I want to be kept up to date about it
- I leave the decision to my financial advisor and I do not want to know all the details about it

Do you think that one can trust most financial advisors or not?

One can trust				One can trust			
<b>few</b> financial advisors				<b>most</b> financial advisors			
<b>-3</b>	<b>-2</b>	<b>-1</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	
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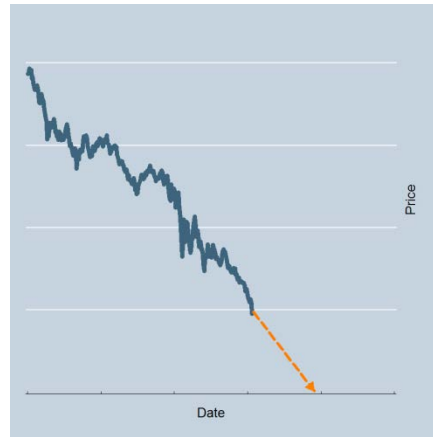
Concerning financial decisions: To what extent are you willing to forego something in order to benefit from it in the future?

<b>Not at all</b> willing						<b>Very</b> willing				
to forego something						to forego something				
<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>
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[Each of the following six questions about investment behavior was presented on a separate page with the animated chart at the top of the page.]

Imagine you find yourself in a continuing stock market crash.

You expect the negative development to continue as indicated by the arrow in the graph.



Would you sell/buy individual stocks? Explain briefly why.

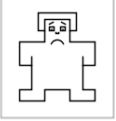
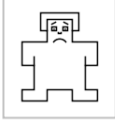
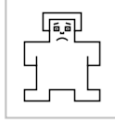
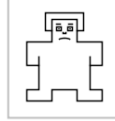
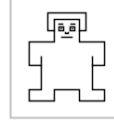
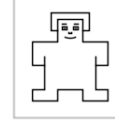
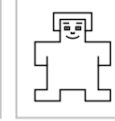
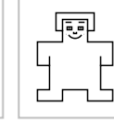
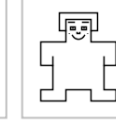
Would you invest in gold or other precious metals? Explain briefly why.

Would you deposit part of your assets on your savings account? Explain briefly why.

Would you invest in Exchange Traded Funds? Explain briefly why.

Would you consider purchasing real estate (for instance a house)? Explain briefly why.

How well are you feeling at the moment?

								
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

To what extent are you experiencing the emotion “fear” at the moment?

<b>Not at all</b>							<b>A lot</b>
<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### You can now earn money!

The amount you earn will depend on your decisions. It is thus very important that you read the explanations very carefully. **One in five participants wins!** At the end of the study, you yourself will determine with a random draw whether you are one of the winners.

## Investment Task

In this part you will make two investment decisions; by doing so you will win or lose money. Note that only **one of the two** investment decisions will be paid out at the end of the study. The decision that will be paid out is determined randomly.

### First investment decision

Your initial endowment amounts to CHF 200.-. You have to decide what share of this you would like to invest in a risky asset. You can keep the remaining amount that you do not invest.

#### The investment decision works like this

An instructor – who **cannot** see into the box – will randomly draw one of the balls out of the big plastic box, which is placed on the instructors' table. The big plastic box contains red, blue and yellow balls in an unknown ratio (see picture). If a **yellow ball** is drawn, you **win** and receive 2.5 times the amount you invested. If a **red or a blue ball** is drawn, you will **lose** your investment and you will not get anything back.



#### Your earnings are thus calculated as follows

- If you win (yellow ball is drawn):  
Your earnings = CHF 200 *minus* investment *plus* (2.5 x investment)
- If you lose (a red or blue ball is drawn):  
Your earnings = CHF 200 *minus* investment

How many CHF would you like to invest in the risky asset (0 - 200)? CHF \_\_\_\_\_

What is your guess of the share of yellow (winning) balls in the big plastic box? \_\_\_\_\_ percent

## Second investment decision

Your initial endowment amounts again to CHF 200.-. You may now decide what share of this you would like to invest in a risky asset. You may keep the remaining amount that you do not invest.

### The investment decision works like this

Again an instructor – who **cannot** see into the box – will randomly draw one of the balls out of the small plastic box, which is placed on the table of the instructors. The small plastic box contains **one red and one yellow ball** (see picture). If the **yellow ball** is drawn, you **win** and receive 2.5 times the amount you have invested. If the **red ball** is drawn, you will **lose** your investment and you will not get anything back.



### Your earnings are thus calculated as follows

- If you win (yellow ball is drawn)

Your earnings = CHF 200 *minus* investment *plus* (2.5 x investment)

- If you lose (a red or blue ball is drawn)

Your earnings = CHF 200 *minus* investment

How many CHF would you like to invest (0 - 200)? CHF \_\_\_\_\_

To what extent do you agree to the following two statements?

- Overall, I expect more good things to happen to me than bad.

<b>Not at all agree</b>				<b>Completely agree</b>		
<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- It is unlikely that I will lose my job in the next six months.

<b>Not at all agree</b>				<b>Completely agree</b>		
<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
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Do you think the SMI (Swiss Market Index) will tend to go up or down in the next two years?

<b>SMI will go down</b>		<b>SMI will stay the same</b>			<b>SMI will go up</b>	
<b>-3</b>	<b>-2</b>	<b>-1</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

How high is your income compared to the Swiss average?

<b>Far below average</b>				<b>Far above average</b>		
<b>-3</b>	<b>-2</b>	<b>-1</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



## Investment Quiz

Which of the following orders of the four investment instruments according to their average volatility (from 1 = low to 4 = high) is correct.

- 1. Savings account 2. Government bonds 3. Stocks 4. Corporate bonds
- 1. Savings account 2. Government bonds 3. Corporate bonds 4. Stocks
- 1. Government bonds 2. Savings account 3. Stocks 4. Corporate bonds
- 1. Government bonds 2. Savings account 3. Corporate bonds 4. Stocks

Which one of the following statements is NOT a possible advantage of investing in investment funds from the perspective of an investor?

- The possibility to invest diversified
- The possibility to invest in special markets
- The possibility to invest small amounts of money
- The possibility to participate in the choice of individual stocks

Which one of the following terms is synonymous with keeping a sell option?

- Short Put
- Long Put
- Short Call
- Long Call

Which one of the companies bellow is NOT included in the SMI? (Referring to: 30.01.2012)

- Syngenta
- Holcim
- Baloise
- Lonza

How many of the questions in the investment quiz do you think you answered correctly?

- |                          |                          |                          |                          |                          |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <b>0</b>                 | <b>1</b>                 | <b>2</b>                 | <b>3</b>                 | <b>4</b>                 |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

**Please complete your personal details below:**

Age: \_\_\_\_\_ years

Gender:  Male  Female

Nationality: \_\_\_\_\_

What is your professional function?

What was your gross wage in the last month (in CHF)?

I earned approximately CHF \_\_\_\_\_ gross wage last month.

How much liquid wealth do you possess (in CHF)?

- Less than CHF 100'000
- From CHF 100'001 to 250'000
- From CHF 250'001 to 500'000
- From CHF 500'001 to 1 Million CHF
- More than 1 Million CHF

Do you have any comments or remarks about the study?

**Thanks for participating!**