

Appendix

Summary of Tips and Tricks in Behavioural Finance.

Information Perception

Don't just record news that suits you. Look for other opinions. Exchange with others – dissenters
Selective perception

First impressions can be deceptive
Primacy effect

Don't just take in the flashy, easily accessible messages. Realise that most of the easily accessible messages are already included in the courses

Availability heuristic, contrast effect

You often record messages according to your state of mind. Decouple that a little
Availability heuristic, affective congruence

Be careful not to permanently see your region (share) more positively than other regions (shares)
Home bias

Information processing

Note that sunk costs must not cause a decision once made to continue to run
Mental accounting, sunk costs

Be aware that for a more beautiful cognitive presentation, profits are often considered individually, but losses are summarised
Hedonic framing

Making decisions

Be aware that anchoring (first value, past value, rumours, ...) can lead to later decision problems
Anchoring

Even if an observation fits well into the scheme, it does not have to be so
Schematics

The joint probability of two events can never be greater than the probability of each individual event
Conjunction fallacy

Do not hold on to your forecast for far too long, believing that things will eventually happen as expected. After all, what has gone up can go up even more, what has gone down can go down even more
Gambler's fallacy

Only because a region (company) belongs to a special class (sector) it does not necessarily mean it will behave the same way as the other.
Spurious correlation

Simply because in October happened to happen a lot of crashes does not necessarily mean, that the crash will happen in this October again (with the same probability)
Conditional probability fallacy

Source: Own illustration.

(Continued)

Prospect theory

Be aware that you make decisions dependent on the choice of a reference point. Thereby (additional) profits are valued differently than (additional) losses. It is best to forget the cost price and decide right at the moment on the basis of the information again and again

Reflection effect

People adjust 'correct' forecasts (too) quickly, whereas they hold on to 'incorrect' forecasts for too long

Disposition effect

Absolute security (100%) seems to be very important – much more than just under 99% security. Accordingly, much more value is attached to it (than it actually is).

Certainty effect

Control illusion

In order to feign control, people tend to say that they knew it. But this does not reflect on how the relationships actually are

Hindsight bias

Forecast bands are often much too narrow

Control illusion

In order to feign control, it seems to be better not to act at all. By this heuristic, however, a loss (false forecast) is allowed to run for too long

Status-quo bias

Do not attribute gains to yourself and losses to others as a matter of principle

Attribution fallacy

Avoidance of dissonance

Your commitment plays an important role: the higher the more problems may arise.

Therefore, when making decisions (investments, forecasts), always think about how much you are responsible, how much you deviate from the norm, how much you identify with your decision, how much other know and how much irreversible costs (wrong course) have already been incurred. Try to keep everything as low as possible!

Formations of parties

Find out which market themes are currently being played out, which are priced in, which are taking a back seat and which will become more important in the future. In order to stay on a par with the market, one must predict the numbers of 'the day after tomorrow'. To do this, you have to consider operational developments of 'tomorrow' by analysing the change in the structural factors of 'today'. The latter part of the analysis is the most crucial one

And in summary:

Know yourself (with your habits and mistakes), constantly observe and correct yourself in your behaviour and anticipate the mistakes of others!

Source: Own illustration.