Accepted Manuscript

Persuasion in Financial Advertising: Behavioral or Rational?

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PII: S2214-8043(17)30088-5
DOI: 10.1016/j.socec.2017.08.002
Reference: JBEE 297

To appear in: *Journal of Behavioral and Experimental Economics*

Received date: 16 May 2016
Revised date: 6 May 2017
Accepted date: 29 August 2017

Please cite this article as: Riccardo Ferretti, Francesca Pancotto, Enrico Rubaltelli, Persuasion in Financial Advertising: Behavioral or Rational?, *Journal of Behavioral and Experimental Economics* (2017), doi: 10.1016/j.socec.2017.08.002

Highlights

- We test the behavioral versus the rational model of advertising in financial markets.
- Granger causality between the number of ads and the stock is used to test whether advertisements precede or follow the stock index.
- We separate risky and non-risky products advertising and find that risky products ads follow the stock index while non-risky products are unrelated to the stock index.
- The behavioral model of advertising applies for risky products ads while the rational model applies for non risky products ads: the two models are complementary rather than alternative.
- A dual process of reasoning is at the base of investors' behaviors, anticipated by advertising companies.