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# Behavioral uncertainty and the dynamics of traders' confidence in their price forecasts\*

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## Abstract

By how much does the presence of behavioral uncertainty in an experimental asset market reduce subjects' confidence in their price forecasts? An incentivized interval forecast elicitation method is employed to answer this question. Each market consists of six traders, and the value of dividends is known. Two treatments are considered: six human traders (6H), and one human interacting with five computer traders whose behavior is known (1H5C). We find that while the deviation of the initial price forecasts from fundamental value is smaller in the 1H5C treatment than in the 6H treatment, albeit not statistically significantly, the average confidence regarding the forecasts is not. We further analyze the relationships between subjects' confidence in their forecasts and their trading behavior, as well as their trading performance, in the 6H treatment. While subjects' high confidence in their short-term forecasts shows a negative correlation with their trading performance, high confidence in their long-term forecasts shows a positive correlation with trading performance.

*Keywords:* Price forecasts, interval elicitation, experimental asset markets, behavioral uncertainty

*JEL Code:* C90, D84

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