

Macro Roundup Article

Headline: [Inflation and Trading](#)

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Tweet: Evidence from German investors finds that educating investors about negative stock market returns during inflation causes them to reduce their return expectations and purchases of equities.

Summary: We conducted a survey with 2,800 investors in cooperation with a large German bank in February 2022 when inflation in Germany was at a 30-year high. Information on past returns during periods of high inflation [via priming by the investigators] leads to negative updating about the perceived stock-return impact of inflation and shifts return expectations in the expected direction, which feeds into [both] return expectations [Figure 6 above], and subsequent actual trading behavior. In particular, investors who learn that stock returns in Germany during inflationary periods were low (one percent) reduce their expected return of the German stock market by 0.68 percentage points for T2 (return information only) and by 1.05 percentage points for T3 (return information as well as explanations). In the trading data, treatment information about the negative stock return-inflation relation reduces actual stock purchases.

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