Man vs. Machine: The Influence of AI Forecasts on Investor Beliefs*

Francesco Stradi	Gertjan Verdickt
KU Leuven	*University of Auckland*

First draft: September 10, 2024

This draft: September 15, 2024

Abstract

Do investors trust an AI-based analyst forecast? We address this question through four incentivized experiments with 3,600 U.S. participants. Our findings highlight that, although investors update their return beliefs in response to the forecast, they are *less* responsive when an analyst incorporates AI. This reduced trust stems from a lower perceived credibility in AI-generated forecasts. We reveal other important nuances: women, Democrats, and higher AI literacy investors are more responsive to AI forecasts. In contrast, AI model complexity reduces the probability of return updating. Additional manipulations show that forecast providers do not amplify reactions to their content. Overall, our findings challenge prevailing notions about AI adoption in financial decision-making.

KEYWORDS: Artificial intelligence, behavioral finance, analyst forecasts, ChatGPT, trust, experimental economics, complexity aversion, return beliefs

JEL CLASSIFICATION: C91, G02, G11, G12, G51, G53, M41