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

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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

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