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FOLLOW MORE, HOLLOW MORE—REACTING TO HEADLINES ERODES PERFORMANCE

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In the mid-1980s, behavioral finance researcher Paul Andreassen ran one of the most elegant demonstrations (1) of a truth investors still struggle with today: **the more attention you pay to financial headlines, the worse your investment results tend to be.**

His experiment simulated a stock-trading environment in which participants received daily price information for a set of stocks. The twist? Some participants saw only the price data, while others also received a steady stream of "news" — explanatory headlines linking each price wiggle to business or economic developments.

The outcome was as stark as—*we* would say—it was predictable: Those who followed the headlines traded more—and earned less!

The added news induced classic behavioral biases: buying after up days (at high prices), selling after down days (at low prices), and inventing causal stories where none existed. Headlines made participants feel informed while quietly steering them toward trend-chasing, over-attribution, and poor timing. Meanwhile, the investors who ignored the noise and focused on data behaved more patiently, traded less, and earned meaningfully higher profits.

This finding resonates powerfully with our work on investor behavior and regime-aware portfolio design:

Markets are complex adaptive systems, yet financial news often presents them as tidy narratives: "stocks rose because…," "markets fell on fears of…," "experts say the trend will continue…" Those seductive explanations create an illusion of understanding, tempting investors to act on stories rather than complex evidence. The result is precisely what Andreassen documented: more following, more reacting, more hollowing out of returns.

Our guidance remains clear and research-grounded:

Formulate a rules-based, regime-tracking, market-adaptive, risk-controlled, and tax-aware investment plan; anchor it in robust signals rather than headlines; and **treat financial news as entertainment—not instruction.** We outline this orientation in our work, *Scaling the Investment Tree—Insights from our Process* (2). **The price of paying attention is all too often paid in performance and portfolio sustainability.**

(1) Andreassen, P. B. (1987). On the social psychology of the stock market: Aggregate attributional effects and the regressiveness of prediction. Journal of Personality and Social Psychology, 53(3), 490–496.
(2) https://fa.wellsfargoadvisors.com/gnh-capital-group/mediahandler/media/651694/GNH%20Capital%20Group%20-%20Scaling%20the%20Investment%20Tree%20-%20Insights%20from%20Our%20Process.pdf