

# Psychological health of investors and stock market linked, study finds

April 10 2024



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A recent study by two Ball State University faculty members has found a clear and robust link between local stock market downturns and an increase in antidepressant use among investors.

"This relationship, unaffected by local economic conditions, suggests that investment losses directly impact investors' psychological health," said Dr. Chang Liu, assistant professor of finance, who co-authored the [research paper](#) with Dr. Maoyong Fan, professor of economics. The paper, "Stock Market and the Psychological Health of Investors," was recently [published](#) in *The Financial Review*.

Utilizing in their study a national individual-level medical dataset and the home bias in investment, the researchers also concluded that "the effect intensifies in areas with higher per capita dividend income, suggesting a [direct relationship](#) between higher stock ownership and stronger responses," and confirmed that "portfolio losses, not local economic conditions, are responsible for increased antidepressant usage during market downturns."

"The financial stress from [stock market](#) declines not only affects [mental health](#) but also leads to physical health problems such as insomnia and depression, indicating its broad societal consequences," Dr. Liu added.

"Amid stock market volatilities, the surge in mental health issues calls for a [proactive approach](#) to investor support and education," Dr. Fan said.

"Our findings advocate for the inclusion of mental health resources in financial advising, especially during times of market turbulence. And our study highlights the need for policy and education actions to mitigate mental health risks associated with stock market participation, ensuring investors are prepared emotionally and financially for market changes."

Findings in the research paper also support the loss aversion hypothesis, noting that positive stock returns do not influence antidepressant usage.

**More information:** Chang Liu et al, Stock market and the psychological health of investors, *Financial Review* (2024). [DOI: 10.1111/fire.12385](https://doi.org/10.1111/fire.12385). On SSRN: [ssrn.com/abstract=4730831](https://ssrn.com/abstract=4730831)

Provided by Ball State University

Citation: Psychological health of investors and stock market linked, study finds (2024, April 10) retrieved 2 May 2024 from <https://phys.org/news/2024-04-psychological-health-investors-stock-linked.html>

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