

Sunshine spurs spending: Investors bet big on sunny days, study finds

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It's often said we can't control the weather. But what if the weather controls how and when we invest our money? More specifically, what if the skies control how much we're willing to gamble in the stock market?

New research by the University of South Australia has found a connection between pleasant weather conditions and higher investment in lottery-like stocks.

Lottery-like stocks are cheap compared to other stocks and, like lottery tickets, they can be seen as an opportunity to make a substantial gain. However, the chance of a higher return is minimal, and it's therefore considered a high-risk investment.

A study by UniSA finance researchers discovered that when the weather is sunny and skies are blue, investors are more likely to engage in these types of investments. The research is [published](#) in the *Journal of Behavioral and Experimental Finance*.

Dr. Reza Bradrania, Senior Lecturer of Finance and member of UniSA's Center for Markets, Values and Inclusion, says studies in psychology have shown that weather has a significant effect on human moods and behavior. It can explain about 40% of daily variation in moods and sunshine in particular can have a large impact on how we feel.

"Since being in a good mood spurs people to take more risks, we were curious to see if weather, as an important factor that impacts human moods, relates to demand for lottery-like stocks which are highly risky and have lottery features like casino or lotto products," Dr. Bradrania says.

"The idea is that investors who are in a good mood because of [sunny weather](#) tend to have more optimistic expectations or beliefs about the future payoff of lottery stocks. This investigation was important as it has implications on how weather can influence investors' judgments and choices and in particular impact their financial decisions."

"To our knowledge, this is the first study of its kind to investigate how

weather plays a role in our investment decisions and in particular the demand for and the performance of lottery-like stocks which have implications for financial markets."

Dr. Bradrania and Ph.D. student Ya Gao gathered 36 years' worth of weather data including hourly sky cloud cover, wind speed rate, rain depth and air temperature from major weather stations across US cities. Price data of common stocks from over this period (1983 to 2019) was also examined.

"We found that on days with pleasant weather conditions, investors were more likely to be risk-taking and optimistic and invest more in lottery-like stocks, which further results in high demand and higher price for these stocks. However, their price is adjusted later, which resulted in significant loss," Dr. Bradrania says.

"Overoptimism is associated with overconfidence in many cases and investors who are overconfident tend to trade lottery-like stocks more. The research suggests weather relates to gambling preference and influences our judgment and choices. It also provides some guidance on investment decisions depending on weather conditions."

More information: Reza Bradrania et al, Lottery demand, weather and the cross-section of stock returns, *Journal of Behavioral and Experimental Finance* (2024). [DOI: 10.1016/j.jbef.2024.100910](https://doi.org/10.1016/j.jbef.2024.100910)

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