

Behavioral study of financial derivatives investments in Hong Kong

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Abstract

This article explores the investment attitudes and patterns among the small investors towards different types of financial derivatives in Hong Kong. We formulate several hypotheses to test the disposition effect, mental accounting, and anchoring in response to the European sovereign debt crisis. The results confirm that experienced small investors can manage their investment risks better and hence suffer lower investment losses when compared with the less experienced small investors during the crisis period, due to their ability to minimize the behavioral biases. This research contributes to the study of behavioral finance in the context of Hong Kong, a prominent Asian financial centre.

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