

The Chair of Corporate Finance and Governance & the Chair of Finance and Accounting
organize a research seminar in finance on

Monday, October 13, 2025, 4:30pm-6:00 pm, room C230

Jędrzej BIAŁKOWSKI
(University of Canterbury, New Zealand)

"Ambiguity, Attention, and the Lottery Temptation"

Abstract: We examine how the quality of political information affects investor behavior in equity markets. Using two decades of U.S. stock market data, we find that when political signals become more ambiguous, investors increase their trading in lottery-like stocks, specifically those with low prices, high volatility, and positively skewed returns, while reducing their trading in nonlottery-like stocks. This divergence in trading activity is statistically and economically significant, robust to controls for economic policy uncertainty, market volatility, and macroeconomic conditions, and persists across daily and monthly samples. To explain these patterns, we propose a mechanism based on belief dispersion and retail attention. We show that political ambiguity is associated with increased forecast disagreement and a rise in retail-focused attention toward speculative stocks, as proxied by Google Trends and social media activity. Institutional attention does not exhibit the same pattern. Our findings suggest that political ambiguity reallocates market activity toward speculative segments by increasing interpretive uncertainty and concentrating attention on tail-risk assets. The results contribute to the literature on ambiguity, investor attention, and speculative trading under uncertainty.

The research seminar is open to all interested persons