



Don't let your habits hold you back, start making choices that help your financial future

In collaboration with the Amundi Investment Institute.

Hasty judgments: the hidden trap in your investment decisions

«As the saying goes, looks can be deceiving»

Popular saying



What is hasty judgements bias?

It is the tendency to make **hasty decisions** based on **superficial or incomplete information**.

Hasty judgements can arise from:

- **Representativeness heuristic:** we often assess the probability of events by relying on mental shortcuts that simplify complex decision-making, rather than on objective reasoning¹
- **Salience bias:** we tend to **overweight information that is vivid or immediately available**, instead of assessing all relevant data.



Hasty Judgement bias examples:

- Following **extensive media coverage** of a plane crash, some people **overestimate the risk** of travelling by plane and may prefer to travel by car, even though it is statistically more dangerous.
- During the **dot-com bubble** of the early 2000s, companies who had little or no internet exposure experienced sharp increases in their share prices after rebranding with '.com' in their names. This shows how investors rely on **superficial cues** rather than **economic fundamentals** (for example, earnings and debt levels)².

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The cost of snap judgements

- **Biased assessments of investment opportunities:** investors favour **indicators they believe to be representative of a trend** (for example, "trendy" company names) instead of **analysing actual economic prospects**².
- **Biased estimates of a share's real value:** placing **too much importance on salient features**, such as recent spectacular performance, can lead to **overvaluing shares that have recorded strong gains and undervaluing those that have suffered significant losses**³.



Time for action: how can you avoid the trap of hasty judgements?

- **Slow down:** take a break before making a decision, especially when situations are complex or the stakes are high, to move beyond your initial intuition.
- **Question your first impressions:** treat your initial judgements as provisional and always verify their relevance.
- **Rely on numbers:** while intuition can be useful, it may overlook important data; always take the numbers into account.
- **Dig deeper:** look for missing information and alternative explanations, rather than focusing solely on what is obvious.
- **Be structured:** use checklists or make decision based on predefined criteria to reduce the influence of biased intuition.



Investing involves risks.

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SOURCES

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3. Cosemans, Mathijs, and Rik Frehen. "Salience theory and stock prices: Empirical evidence." Journal of Financial Economics 140.2 (2021): 460-483.

IMPORTANT INFORMATION

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