

## **Learning-to-Forecast: Various Prediction Patterns under Different Market Shocks.**

**Dazhuo Wei**

I investigated expectation formation and over-reaction pattern in a controlled experimental environment with four treatments under different market shock. Participants were asked to make predictions for a risky asset in a standard pricing model. They were provided with the information on the market price history, their own prediction history, the expected dividend for the risky asset as well as the interest rate of the alternative risk-free asset. However, they did not know the underlying equilibrium equations. The realized price of current period depends on the feedback from individuals' expectations towards future. As more market shocks are introduced into the environment, the over-reaction pattern became more noticeable, and participants are less able to coordinate their prediction strategies. People are still willing to coordinate (with no communication allowed) even if they are unable to do so under extreme volatile market conditions.