Competitors or Complements: Behavioral Bias and Investing Strategy

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Abstract

In a world that is diverse, cultural differences can be presumed to influence the notion of rationality. Previous studies seem to suggest that patterns of rational thought that tie to culture are often evident in investor behavior. This study investigates the fitness of investment strategies that are regarded as countercultural in achieving optimum returns when applied in markets dominated by domestic firms. The design seeks to analyze culturally motivated attitudes towards risk and detectable investing strategies that are countercultural. It assumes a coincidence of the trendy dollar cost averaging (DCA) investing strategy with the evolution of retirement plans towards defined contribution plans (DCPs) as a basic framework for testing its supposition. The DCA is therefore taken to be a contrast (strategy), whose effectiveness in the Asian context is examined.