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### **Nonlinear Expectations in Speculative Markets – Evidence from the ECB Survey of Professional Forecasters**

**by Stefan Reitz, Jan-Christoph Rülke  
and Georg Stadtmann**

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## **Nonlinear Expectations in Speculative Markets – Evidence from the ECB Survey of Professional Forecast**

Stefan Reitz, Jan-Christoph Rülke and Georg Stadtmann

Abstract:

Chartist and fundamentalist models have proven to be capable of replicating stylized facts on speculative markets. In general, this is achieved by specifying nonlinear interactions of otherwise linear asset price expectations of the respective trader groups. This paper investigates whether or not regressive and extrapolative expectations themselves exhibit significant nonlinear dynamics. The empirical results are based on a new data set from the European Central Bank Survey of Professional Forecasters on oil price expectations. In particular, we find that forecasters form destabilizing expectations in the neighborhood of the fundamental value, whereas expectations tend to be stabilizing in the presence of substantial oil price misalignment.

Keywords: agent based models, nonlinear expectations, survey data

JEL classification: F31, D84, C33

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