UTI Mutual Fund
Haq, ek behtar zindagi ka.

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Will knowing tomorrow's news make you rich?

Imagine if you had a magical newspaper that showed you tomorrow's headlines today. If you used it to play the stock market, you would become a billionaire overnight, right?

Well, some clever researchers decided to test this exact idea. They created a game in which regular people, smart finance students and even Artificial Intelligence programmes were given the next day's news before the stock market opened. They were each handed a million 'pretend' dollars and told to try to make as much money as possible.

The results were totally shocking and not what you would expect.

You might think that having a crystal ball would make trading easy. But almost everyone struggled. Half of the finance students lost money, while many went completely broke. The AI programmes did not do much better. Only a couple of programmes made any money, and others lost half their allocated capital.

So, why is it incredibly hard to make money even when you know exactly what tomorrow's news will be?

There are two huge reasons.

First, markets are confusing.

Just because you know a piece of news is good does not mean the stock market will go up. Sometimes, a company announces it made a lot of money, but because people expected it to make even more, the stock price drops. Knowing the news is only half the battle. Guessing how humans will react to that news is much harder. Even with the answers to the test, both humans and AI guessed the market's direction correctly only about sixty percent of the time.

Second, people are terrible at deciding how much to risk.

This turned out to be the biggest lesson of the whole game. The game allowed players to borrow money to make bigger bets. If they guessed right, they won big. But if they guessed wrong, they lost everything. The AI programmes and the regular players kept making massive bets on almost every turn. Because they were only guessing correctly about sixty percent of the time, those huge bets eventually blew up in their faces and wiped out their money.

But there was one group that stood out. The researchers had also invited five professional traders to play. They were the only ones who crushed the game. Their secret? They did not make huge bets every time. If they felt confused by the news, they simply did not play. Deciding how much to risk was the real secret to winning.

The findings above are from an updated study (the original study was published in 2023) by Jerry Bell, Victor Haghani and James White of Elm Wealth, an investment firm. The study shows just how hard it is to make money by trading the news and macro developments. They designed a simulation in which both humans and leading artificial intelligence models get access to the next day's news in advance and can place their bets before it breaks.

You can access the study and take the challenge here: elmwealth

In 2026, the researchers hosted a similar game on its website using an imaginary starting stake of $1 million. The 60,000-odd people who have played it have fared "substantially worse" than the original paid cohort that took part in the original 2023 experiment. This time, ChatGPT, Claude, Gemini and Grok also participated in the challenge, each starting with an imaginary $1 million. For the record, only two AI models made money.

The updated study reached the same conclusion: both humans and AI were awful at sizing bets. None of the models correctly predicted the direction of stocks and bonds more than about sixty percent of the time. The leverage they applied to their bets proved disastrous in managing risk. Both humans and the AI programmes were taking on risks that could lead to a complete wipeout of their capital.

The study shows that investing is more about making informed decisions and managing risks than making perfect predictions.

If you ever do get your hands on that magical newspaper, don't celebrate too soon. Knowing tomorrow's news is only half the game but knowing how much to risk on it is what actually separates winners from everyone else. Even people who could see the future still went broke. So, the next time someone claims they have a foolproof way to beat the market, remember this experiment.

Authors' profile

Mr. Vetri Subramaniam is the Managing Director and Chief Executive Officer at UTI Asset Management Company Limited. He joined UTI AMC as Head of Equity in January 2017 and assumed the role of Chief Investment Officer from August 2021. Mr. Vetri has over three decades of work experience. Prior to joining UTI in January 2017, he was Chief Investment Officer at Invesco Asset Management Ltd. He was part of the start-up team at Invesco (then Religare Asset Management) in 2008 and helped establish the firm's proprietary investment process and the team. Mr. Vetri started his career at Kotak Mahindra in 1992 after passing out from IIM Bangalore with a PG Diploma in Management. His experience in equity markets & investment roles at various firms from 1994 includes Kotak Mahindra, SSKI & Motilal Oswal. He was also one of the founders of Sharekhan.com (now Mirae Asset Sharekhan) where he led the research & content team. He has also worked as an advisor to a UK Hedge Fund Boyer Allan on its equity investments in India during 2003-2007. He is a frequent contributor to the media and regularly speaks on investing and markets at various forums – including the media & educational institutions.