

Using online stock trading records in Japan for 461 individual investors and 2,779 stocks over the periods from October 2014 to September 2015 and high-frequency data for the individual stock prices, we estimate the investors' trading activities of buying and selling stocks conditional on the observed returns of those stocks. The results obtained from our estimation show, first, that the individual investors make contrarian trades, i.e., tend to buy stocks exhibiting lower past return. Second, we also found that the individuals are disposition investors that are willing to realize their capital gain but reluctant to realize losses. Third, we confirm that not only the daily-level return measure but also the intraday return largely explains investment actions. Fourth, through the rigorous test for the out-of-sample prediction power of our model, we confirm that the intraday return is the most important factor driving individual investors' buying activities. These result jointly suggest not only that the two systematic patterns reported in the extant studies are confirmed for online stock trading but also that individuals' investment is largely governed by short period returns. Fifth, the prices of stocks tend to decline after the individual investors sell. This result suggests that individual investors provide liquidity to market.

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