

Contrarian Trades and Disposition Effect: Evidence from Online Trade Data^{*}

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Abstract

Using the data accounting for 793 retail investors' online trading actions (i.e., buy and sell) targeting 3,420 Japanese stocks measured in virtually every seconds from April 2013 to March 2016, we identify the association of those precisely measured trading actions with the daily and intraday returns of those stocks. The results obtained from our estimation show that, on average, the individual investors make contrarian trades and are disposition investors with respect to intraday return. We also confirm that the intraday returns explain investment actions to much larger extent than the daily-level return does for frequent traders, large-cap stocks, female investors, and those who are in relatively wealthy households. These results suggest that the determinants of investment actions crucially depend on the heterogeneity of individuals and stocks.

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Key Words: *Contrarian; disposition effect; retail investors; online trade; high-frequency data*

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