

Ortmann, Regina, Pelster, Matthias, Wengerek, Sascha Tobias (2020)

COVID-19 and investor behavior

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Abstract:

How do retail investors respond to the outbreak of COVID-19? We use transaction-level trading data to show that investors significantly increase their trading activities as the COVID-19 pandemic unfolds, both at the extensive and at the intensive margin. Investors, on average, increase their brokerage deposits and open more new accounts. The average weekly trading intensity increases by 13.9% as the number of COVID-19 cases doubles. The increase in trading is especially pronounced for male and older investors, and affects stock and index trading. Following the 9.99%-drop of the Dow Jones on March 12, investors significantly reduce the usage of leverage.