

Abstract

Although the Hong Kong stock market is well-established, there is plenty of evidence demonstrating that local investors fail to consistently trade rationally. One might wonder why some, or maybe even the majority of, stock investors have been trading irrationally – especially with their own money. This study investigated how stock market participants make investment decisions in the face of such a high degree of uncertainty. In particular, the relationships among stock investors' preference for different types of stocks, investors' personality and their trading actions were examined. It was found that increasing-price stocks appear to always be the “first choice” of investors no matter whether they want to buy, hold or sell stocks. The decreasing-price stocks happen to be the last type of stocks that come into investors' minds in general (though the results are non-significant). On the other hand, investors' openness to experience occurs to have no significant effect on their preference for various kinds of stocks. The findings of this study underscore the importance of stock trading on the economy and on individual investors' livelihoods. Ideally, this study will contribute to our understanding of what affects our investing behaviors and how we can be smarter, more rational stock investors.