

1. What is attention-induced trading?

Attention-induced trading quite simply is an increase in trading due to attention rather than, say, a change in one's preference (also referred to as "non-speculative" objectives in the paper). Explained in the context of retail traders, attention-induced trading refers to episodes of large uptick in retail trading for stocks that garner sufficient attention. For example, the paper mentions that the Robinhood application maintains a list of 20 "Top Movers" stocks who receive a systematically higher retail attention and, hence, trading inflows. This attention-induced behavior leads to return-chasing and herding events.

2. What do you like about the paper? What do you think it could do differently?

The identification strategies used by the authors for some of the analysis is clean and allows them to make causal claims, which isn't always possible. Two sections/methods are particularly interesting.

- a. In section IIC, the authors use outages in Robinhood platform to demonstrate the effect of Robinhood on the trading of certain stocks that are good candidates for herding events. Using Robinhood outages as an exogenous negative shock satisfies all conditions for being a valid IV (i.e., relevance and exclusionary) and is also very clever.
- b. Section IID.C: authors use a regression discontinuity design to study Robinhood traders' responses to sharp price movements for stock around the \$300 million market capitalization threshold. By rule, Robinhood only displays stocks that are above the \$300 mil market cap threshold. So, using stocks with equal changes in prices but < \$300 mil market cap, the authors can clearly show if Robinhood traders are driven by attention. This again is a clever identification that is closely based on the institutional details.

The Robintrack dataset covers the 2018-2020 period, which overlaps with COVID-19 months towards the end. Many of the regressions done in the paper use the whole time period without taking into account macroeconomic and other market-level changes that occurred during that time. For example, economic policy uncertainty was quite high, and the Federal Reserve undertook a very accommodative monetary policy at that time. In other words, the fundamentals in the COVID period were quite different from the fundamentals in the pre-COVID period. One suggestion would be to perform a separate sub-sample analysis for COVID period (which they currently don't seem to do; see Section E)