

Do smart mobiles apps produce smart financial decisions?

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Abstract

Smart mobiles and their user interfaces, ‘apps’ (SMA), have gained rapid acceptance amongst consumers. However, the impact of this technology’s use on the nature and quality of individual decisions has remained under-researched. We fill this gap by examining 4.5 million trades of 5315 investors in the UK spread trading markets between November 2004 and March 2013. The results suggest that there are demographic differences between those who do and do not use smartphones for trading. After controlling for these factors, we observe significant performance differentials and differences in the nature of the trading decisions of these two groups. Furthermore, we show that those who use SMA achieve higher risk-adjusted returns, but exercise less trading discipline (measured by disposition effect). We discuss the possible reasons for our findings and the implications for financial market operators, regulators and for the efficiency of markets.

Key words: Decision making, smartphones, spread trading, investor behaviour, mobile apps