

Strategic Informed Trades and Tiny Trades *

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Abstract

This paper studies how institutional investors strategically respond to an anticipated surge in tiny retail trades. Exploiting positive 8-K filings as informational events, I present three findings. First, stocks exposed to intense fractional trading exhibit substantial price pressure and volatility following filings, displaying an initial overshoot and subsequent reversal. Second, institutional investors leverage such price pressure and volatility by delaying immediate sales upon filing and even accumulating additional stakes to ride the mispricing post-filing. Third, increased post-filing trading profits incentivize information acquisition. These results suggest that institutional investors adapt to the evolving landscape of retail trading in today's markets, albeit leading to delayed price discovery.

Keywords: Informed Trading, Fractional Trading, 8-K Filings, Social Media, Price Discovery

JEL Codes: G10, G12, G14, G23, G41, M41

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