Depression and paranoia are two distinct psychiatric phenomena, however, it has been suggested that they share certain risk factors. This study sets out to investigate two putative mechanisms in both disorders: interpersonal sensitivity (IPS) and attributional style. We hypothesise that 1) IPS contributes to the development of both depression and paranoia; and 2) the difference in attributional style towards negative events differentiates the two paths: individuals who tend to internalise are more prone to depression, whereas those with an external attributional style are of higher risk in developing paranoia. We recruited 1388 local undergraduate students across the universities in Hong Kong to complete an online survey for two times with a year apart. Results show that IPS alone was a significant predictor of the development of both disorders whereas attributional style was not. Moreover, IPS and attributional style interacted to predict depression and paranoia, but both of them were predicted by an internal attributional style. The two mechanisms, IPS and attributional style, are found to play a role in the onset of both disorders, but there seem to be other factors involved in the processes that distinguish the final outcome.