

Stock Characteristics and Herding Formation: Evidence from the United States Equity Market

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Abstract : This paper explores whether stock characteristics influence the herding formation among investors in the US equity market. To extend the research scope of the existing literature, this paper further examines the role that stock risk characteristics play in the US equity market, and the way they influence investors' decision-making. First, empirical results show that whether general stocks or high-risk stocks, there are no herding behaviors among the investors in the US equity market during the whole research period or during four great events. Moreover, stock characteristics have great influence on investors' trading decisions. Finally, there is a bidirectional lead-lag relationship of the herding formation between high-risk stocks and low-risk stocks, but the influence of high-risk stocks on the low-risk stocks is stronger than that of low-risk stocks on the high-risk stocks.

Keywords : stock characteristics, herding formation, investment decision, US equity market, lead-lag relationship

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