Mutual Fund Herding Behaviors

張永銘、洪偉峰

E-mail: 9800830@mail.dyu.edu.tw

ABSTRACT

Using monthly trading data from 06/1993 to 06/2002, this paper examines the herding behavior of mutual funds in the Taiwan stock market. We adopt the approach of Sias (2004) to investigating the existence of fund ’ s herding behavior, and explore the relationship between fund herding, the performance of the market index and different stock characteristics. First, the results show that fund herding exists. Second, although mutual funds are momentum traders, the fund herding are not driven by past returns. Third, there are pronounced herding behavior among funds which trade glamour and hi-tech stocks. Finally, institutional investors could trade by using the same index or preference.

Keywords : herding、momentum trading、stock characteristic

Table of Contents

中文摘要 iii
英文摘要 iv
誌謝辭 v
內容目錄 vi
表目錄 viii
圖目錄 ix
第一章　緒論. 1
　註　釋 7
第二章　文獻探討. 8
　第一節　從眾. 8
　第二節　從眾行為實證研究發展. 13
　第三節　動能交易與從眾. 15
第三章　資料與研究方法. 17
　第一節　樣本. 17
　第二節　從眾行為指標衡量. 19
　第三節　動能交易與從眾. 21
　註　釋 22
第四章　實證結果. 23
　第一節　從眾. 23
　第二節　動能交易與從眾. 25
　第三節　機構需求與報酬. 27
　第四節　台股大盤趨勢與從眾. 29
　第五節　個股特性與從眾. 32
第五章　結論. 45
參考文獻 47
附錄　模型推導. 57

REFERENCES

Admati, A., & Pfleiderer, P. (1997). Does it all add up? Benchmarks and the compensation of active portfolio managers. Journal of Business, 70, 323-350.Avery, C. N., & Chevalier, J. A. (1999). Herding over the career. Economics Letters, 63, 327-333.Bacmann, J. F., Dubois, M., & Isakov, D. (2001). Industries, business cycle and profitability of momentum strategies: An international perspective. Working paper.Banerjee, A. (1992). A simple model of herd behavior. Quarterly Journal of Economics, 107, 797-817.Barberis, N., & Shleifer, A. (2001). Style investing. Working paper, University of Chicago and Harvard University.Bikhchandani, S., Hirshleifer, D., & Welch, I., (1992). A theory of fads, fashion, custom, and cultural change as informational cascades. Journal of political economy, 100 (5), 992-1029.Bikhchandani, S., Hirshleifer, D., & Welch, I. (1998). Learning from the behavior of others: conformity, fads, and informational cascades. Journal of Economic Perspectives, 12, 151-70.Bikhchandani, S., & Sharma, S. (2001). Herd behavior in financial markets, IMF Staff Papers, International Monetary Fund, 47, 279-310.Brandenburger, A., & Polak, B. (1996). When managers cover their posteriors: Making the decisions the market wants to see. Rand Journal of Economics, 27, 525-541.Brennan, M. (1990). Latent assets. Journal of Finance, 45, 709-730.Brennan, M. (1993). Agency and asset pricing. Working paper, UCLA and London Business School.Cai, F., Kaul, G., & Zheng, L. (2000). Institutional Trading and Stock Returns. Working paper, University of Michigan.Capon, N., Fitzsimons, G., & Prince, R. (1996). An individual level analysis of the mutual fund investment decision. Journal of Financial Services Research, 10, 59-82.Capual, C., Rowley, I., & Sharpe, W. (1993). International value and growth stock returns. Financial Analysts Journal, 49, 27-36.Chang, E. C., Cheng, J. W., & Khorana, A. (2000). An examination of herd behavior in equity markets: An international perspective. Journal of Banking & Finance, 24, 1651-1679.Chordia, T., & Shivakumar, L. (2002). Momentum, business cycle and time-varying expected return. Journal of Finance, 57, 985-1019.Christie, W. G., & Huang ,R. D. (1995). Following the pied piper: do individual returns herd around the market? Financial Analysts Journal, 51, 31-37.Conrad, J. A., & Kaul G. (1998). An anatomy of trading strategies. Review of Financial Studies, 11, 489-519.Del Guercio, D. (1996). The distorting effect of the prudent-man laws on institutional equity investment. Journal of Financial Economics, 40, 31-62.Devenow, A, & Welch, I. (1996). Rational herding in financial economics. Journal of European Economic Review, 40, 603-615.Effinger, M. R., & Polborn, M. K. (2001). Herding and anti-herding: A model of reputational differentiation. European Economic Review, 45, 385-403.Falkenstein, E., & Hanweck, J. (1996). Minimizing basis risk from non- parallel shifts in the yield curve. The Journal of Fixed Income, 6, 60-69.Fama, E. (1965). The behaviour of stock market prices. Journal of Business, 38, 34-105.Fong, K. Y. L., Gallagher, D. R., Gardner, P., & Swan ,P. L. (2007). To herd or not to herd: do mimicking traders ignore their private information? Unpublished master ' s thesis, The University of New South Wales, Australian,Froot, K. A., Scharfstein, D. S., & Stein, J. C. (1992). Herd on the street: Informational inefficiencies in a market with short-term speculation. Journal of Finance, 47, 1461-1484.Gleason K. C., Mathur, I., & Peterson, A. (2004). Analysis of intraday herding behavior among the sector ETFs. Journal of Empirical Finance, 11, 681-694Gompers, P. A., & Metrick, A. (2001). Institutional investors and equity prices. Quarterly Journal of Economics, 116, 229-259.Graham, J. (1999). Herding among investment newsletters: Theory and evidence. Journal of Finance, 54, 237-268.Griffin, J. M., Ji, S., & Martin, J. S. (2003). Momentum investing and business cycle risk: Evidence from pole to pole. Journal of Finance, 58, 2515-2547.Grinblatt, M., & Titman, S. (1989). Portfolio performance evaluation: old issues and new insights. Review of Financial Studies, 2, 393-422.Grinblatt, M., & Titman, S. (1993). Performance measurement without benchmarks: an examination of mutual fund returns. Journal of Business, 66, 47?68Grinblatt, M., Titman, S., & Wermers, R. (1995). Momentum investment strategies, portfolio performance, and herding: A study of mutual fund behavior. American Economic Review, 85, 1088-1105.Harrison, M. (1994). Asia-Pacific Securities Markets (2nd ed.). LongmanHirshleifer, D., Subrahmanyam, A., & Titman, S. (1994). Security analysis and trading patterns when some investors receive information before others. Journal of Finance, 49, 1665-1698.Huddart, S. (1996). Reputation and performance fee effects on portfolio choice by investment advisors. Working paper, Duke University.Jegadeesh, N., & Titman, S. (1993). Return to buying winners and selling losers: implications for stock market efficiency. Journal of Finance, 48, 65-91.Jegadeesh, N., & Titman, S. (2001). Profitability of momentum strategies: An Evluation of Alternative Explanation. Journal of Finance, 56, 699-720.Jones, S., Lee, D., and Weis, E. (1999). Herding and feedback trading by different types of institutions and the effects on stock prices. Working paper, Indiana University – Indianapolis Campus, Kennesaw State University, and Merrill Lynch.Karceski, J. (2002). Returns-chasing behavior, mutual funds, and beta ' s death. Journal of Financial and Quantitative Analysis, 37, 559-594.Keynes J. M. (1936). The general theory of employment interest and money (12th ed.). London: Macmillan.Khanna, N., & Sonti, R. (2000). Feedback effect of stock prices on fundamental values: Price manipulation and herding with rational expectations. Working paper, Michigan State University.Khanna, N., & Slezak, S. (1998). The effect of organizational from on information flow and decision making: Information cascades in group decision making. Working paper, University of North Carolina.Khorana, A. (1996). Top management turnover: an empirical investigation of mutual fund managers. Journal of Financial Economics, 40, 403-427.Lakonishok, J., Shleifer, A., & Vishny , R. W. (1992). The impact of institutional trading on stock prices. Journal of Financial Economics, 312, 23-43.Lee, I. H. (1993). On the convergence of informational cascades. Journal of Economic Theory, 61, 395-411.Lettau, M. (1997). Explaining the facts with adaptive agent: The Case of Mutual Fund Flows. Journal of Economic Dynamics & Control, 21, 1117-1147.Maug, E., & Naik, N. (1996). Herding and delegated portfolio management, mimeo. Working paper, London Business School.McQueen., G., Pinegar, M. A., & Thorley S. (1996). Delayed reation to good news and the crossautocrrelation of portfolio returns. Journal of Finance, 51, 889-919.Nofsinger, J., & Sias, R. (1999). Herding and feedback trading by institutional and individual investors. Journal of Finance, 54, 2263-2295.Oehler, A. (1998). Do mutual fund specializing in German stocks herd? Finanzmarktund Portfolio Management, 4, 452-465.Patricia, C., & Ravi, B. (1990). Analyst following and institutional ownership. Journal of Accounting Research, 28, 55-82.Pesaran, M. H., & Shin, Y. (1998). Generalised impulse response analysis in linear multivariate models. Economics Letters, 58, 17-29.Potter, M. (1996). The Dynamic Relationship Between Security Returns and Mutual Fund Flows, Ph.D. Dissertation. Working paper, University of Massachusetts-Amherst.Prendergast, C., & Stole ,L. (1996). Impetuous youngsters and jaded old-timers: Acquiring a reputation for learning. Journal of Political Economy, 104, 1105-1134.Roll, R. (1992). A mean/variance analysis of tracking error. Journal of Portfolio Management, 13-22.Rouwenhorst, K. G. (1998). International momentum strategies. Journal of Finance, 53, 267-284.Scharfstein, D., & Stein, J. (1990). Herd behavior and investment. American Economic Review, 80, 465-479.Schwartz, R. A., & Shapiro, J. E. (1992). The challenge of institutionalization for the equity market. In A. Saunders (Ed.). Recent developments in finance. Working paper, New York University Salomon Center.Sias, R. W.

(2004). Institutional herding. The Review of Financial Studies, 17, 165-206.Sias, R. W., Starks, L., & Titman, S. (2002). The price impact of institutional trading. Working paper, Washington State University and The University of Texas.Simon, H. A. (1972). Theories of bounded rationality. In McGuire, C. B., & Radner, R., (Ed.), Decision and Organization, 161-176. Amsterdam North Holland.Smith, L., & Sorensen, P. (1994). Pathological models of observational learning. Working paper, Department of Economics, Massachusetts Institute of Technology.Trueman, B. (1994). Analyst forecasts and herding behavior. Review of Financial Studies, 7, 97-124.Warther, V. A. (1995). Aggregate mutual fund flows and security returns. Journal of Financial Economics, 39, 209-235.Welch, I. (2000). Herding amongst security analysts. Journal of Financial Economics, 58, 369-96.Wermers, R. (1995). Herding, trade reversals, and cascading by institutional investors. Working paper, University of Colorado.Wermers, R. (1999). Mutual fund trading and the impact on stock prices. Journal of Finance, 54, 581-622.Wermers, R. (2000). Mutual fund performance: an empirical decomposition into stock-picking talent, style, transactions costs, and expenses. Journal of Finance, 55, 1655-1695.Wylie, S. (2005). Fund manager herding: a test of the accuracy of empirical results using U. K. Data. Journal of Business, 78, 381-403.Zhang, J. (1997). Strategic delay and the onset of investment cascades. Rand Journal of Economics, 28, 188-205Zwiebel, J. (1995). Corporate conservatism and relative compensation. Journal of Political Economy, 103, 1-25.