

**Cyprus University of Technology**

***Department of Commerce, Finance and Shipping***

***Seminar Talk***

Friday 17th of April 2015

(during the Spring 2015 Conference of the Multinational Finance Society )

# The impact of “fear” on herding estimations

**by**

**Nikolaos Philippas**

**(University of Piraeus)**

**Abstract**

The recent global financial crisis has clearly demonstrated the impact of investor sentiment on stock markets. As a result, herd behavior has attracted researchers’ interest due to its important implications for the stock market efficiency and its potential destabilizing effect. In this paper we examine the impact of investors’ “fear” captured by the well known and acknowledged implied volatility indices on herding estimations. To this end we employ daily data of all listed stocks, active or dead, from Greece, Germany, UK and US from January 2004 to July 2014. The stock markets under examination also provide comparable implied volatility indices that are all constructed based on the CBOE VIX methodology. We examine herd behavior applying the cross sectional dispersion approach in the same spirit with Chang et al. (2000), augmenting the benchmark model with the “fear” indicators. Moreover, we investigate the asymmetric herding behavior under different market states as well as during the crisis period taking always investor sentiment into consideration. The empirical results provide useful insight for investors and regulators, testing for the impact of “fear” on herd behavior estimations within and across markets.

Department of Commerce, Finance and Shipping

115, Spyrou Araouzou Street, 3606, P.O.Box. 50329, 3603, Lemesos

Tel. 25002489 Fax. 25002637 Email. cfs.seminars@cut.ac.cy