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**HERD BEHAVIOR AND LOCATION OF TRADING:
EXAMINATION OF CHINESE A- and H- SHARES**



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I confirm that:

- This thesis represents my own work
- The contribution of any supervisors and others to the research and to the thesis was consistent with normal supervisory practices

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Abstract

This study mainly examines the evidence of herd behavior of dual-listed firms in China. These firms are listed in either the Shanghai Stock Exchange or Shenzhen Stock Exchange, which are restricted to mainland Chinese investors, and in the Hong Kong Stock Exchange, which is meant for Hong Kong and international investors. These stocks are traded not only in different stock markets, but also in two very different economic systems. The question that then comes to mind is whether trading of the same stocks would generate different herd behavior, and if so, why. Thus, herding will be measured by a cross-sectional absolute deviation of returns (CSAD), with generalized autoregressive conditional heteroscedasticity (GARCH) models to tackle the problem of heteroscedasticity, and they will be linked to market returns to catch the signals of herding in each market, and determine if the herding phenomena in different markets are related. This study provides insights on how herding behaves across markets on dual-listed stocks, and in particular, on why there are differences in herding across markets. This study is important for two main reasons. First, to the best of the author's knowledge, this is the first study on herd behavior in dual-listed stocks in the Chinese and Hong Kong markets. It is therefore helpful in shedding some light on how investors behave differently with dual-listed stocks in these markets when simultaneously compared to those with dual-listed stocks on, say, the UK and US markets. Second, the study provides more findings to the literature and therefore adds more knowledge on

why herding is more prevalent in large stocks and during an up market in the Shanghai stock market.



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