ABSTRACT

Stock markets of the member countries of ASEAN-5 (Indonesia, Singapore, Malaysia, Philippines, and Thailand) has a significant growth. The growth can't be separated from the role of investors in investment activities, one of the investment activities are sell or buy transaction. In a sell or buy transaction, a rational investors will make a consideration and analysis of fundamentals company and economic conditions. However, previous researchers have found that investors often behave irrationally. One of the irrational behavior is herding behavior, which follow the behavior of other investors or market sentiment without doing analysis while make a sell or buy transaction.

This study aimed to analyze and detect the indication of herding behavior in stock markets of the member countries of ASEAN-5 (Indonesia, Singapore, Malaysia, Philippines, and Thailand). Herding detection methods in this study is using a multiple linear regression method Cross-Sectional Absolute Deviation (CSAD) from Chang, Cheng, and Khorana (2000). Variables that used in the method are return dispersions, absolute market return, and the squared market return. The data needed is the daily returns of active individual stocks and daily return of a market index in each country.

The method to test the hypothesis is using Standard Error HAC Newey-West. The test results of return dispersion, absolute return market, and the squared market return using Cross-Sectional Absolute Deviation (CSAD) showed, that there were no significant evidence of herding behavior in the stock market of Indonesia, Singapore, and Thailand. However, significant evidence of herding behaviour, found in the stock market of Malaysia and Philippines.

Keywords: Behavioural Finance, Herding Behaviour, ASEAN-5, Market-Wide Approach, Cross-Sectional Absolute Deviation (CSAD), Standard Erorr HAC Newey-West.