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Stock characteristics and herding in financial analyst recommendations

Wen-Yi Lin, Po-Jung Chen & Sheng-Syan Chen

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fundamentals and in part by other reasons. This may dampen the impact of future

returns on herding. It has also been observed that herding exists in the market regardless of bull market or bear market. No significant inferiority is reported in analyst performance with herding when compared to the performance without herding.

Notes

[1] See Keynes (1936, p. 156).

[2] This study uses the software 'Research Wizard' provided by Zacks Investment Research to obtain the recommendation data. The top three brokers in the sample are the Bank of America, with a total of 470 observations, followed by A. G. Edwards (461) and J. P. Morgan (423). To avoid legal conflict with individual brokerage houses, Zacks does not permit researchers to buy the detailed database unless they have the approval of all brokerage houses.

[3] Revisions from or to a '6' are, however, excluded from the sample.

[4] Refer to Appendix for the details of the calculation process.

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