

Herd Mentality

- **Clear Definition:** Herd mentality is a psychological phenomenon where individuals follow the actions and behaviours of a larger group, often driven by the assumption that the majority must be correct. This behaviour can lead to investors buying or selling assets simply because others are doing so, which can contribute to speculative bubbles and market volatility.

- **Actionable Coping Strategies:**

1. **Diversify Your Portfolio:** Spread your investments across different assets, sectors, and geographic regions. Diversification helps reduce the impact of any single market movement driven by herd behaviour and protects your portfolio from concentrated risks.

2. **Manage Emotions and Biases:** Remain calm during periods of high market volatility. Acknowledging that you may be susceptible to biases like the "bandwagon effect" allows you to recognise and counter irrational influences on your decision-making. Keeping a trading journal to reflect on your decisions can also help maintain objectivity.