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CS6850: Final Paper
November 19, 2013

Abstract

Herd behavior in stock markets is a fairly well-studied subject. The earliest relevant literature dates back to the late 1980's [1], and since then a number of experiments and theoretical models have observed and characterized the behavior. These results established that herding exists and offer reasonable suggestions for modeling the phenomena. However, high-frequency trading has overhauled our conception of a securities market, and little to no published literature explores this phenomena.

We introduce a new model for evaluating herd behavior, specifically tailored to high-frequency markets. Through simulations we determine expected patterns of interactions and then evaluate their accuracy against real exchange data. **TODO: We show something very important**

1 Introduction

2 Background

2.1 High-Frequency Trading

2.2 Herd Behavior in Commodities Markets

3 Observations

4 Model

5 Simulation

6 Experiment

7 Evaluation

7.1 Results

7.2 Limitations

Here are some problems with our experiment. Regardless, we consider these issues non-fatal. The results are still worth noting.

8 Related Work

9 Conclusion and Future Work

References

[1] Sushil Bikhchandani and Sunil Sharma, *Herd behavior in financial markets*, IMF Staff papers (2000), 279–310.