

This thesis provides an evidence of herd behaviour in financial markets with an emphasis on the technology sector. The adjusted closing prices for the NASDAQ-100 index constituents are analysed on a daily basis during the period 2011–2020. Regarding methodology, the commonly utilized measures of cross-sectional standard deviation of returns and of cross-sectional absolute deviation of returns are considered. The examination reveals no evidence of herd behaviour, even when filtering trading sessions based on extraordinary market volatility or trading volume. However, a closer look at 2020, in which financial markets movements were heavily affected by the ongoing COVID-19 pandemic, shows that herd behaviour contributed to the sharp and significant crash as well as to the subsequent skyrocketing recovery. Furthermore, this thesis presents an innovative way of using an external factor in regression models. Due to their dominant position, the so-called technology giants are excluded from the US stock market and they newly constitute the world market. This specification reveals that the dispersions of the technology giants are contagiously amplified to the rest of the technology sector. Therefore, investors should be aware of the risks associated with a possible cooling of the entire technology sector following the expected interest rate hikes by the Federal Reserve in the USA.