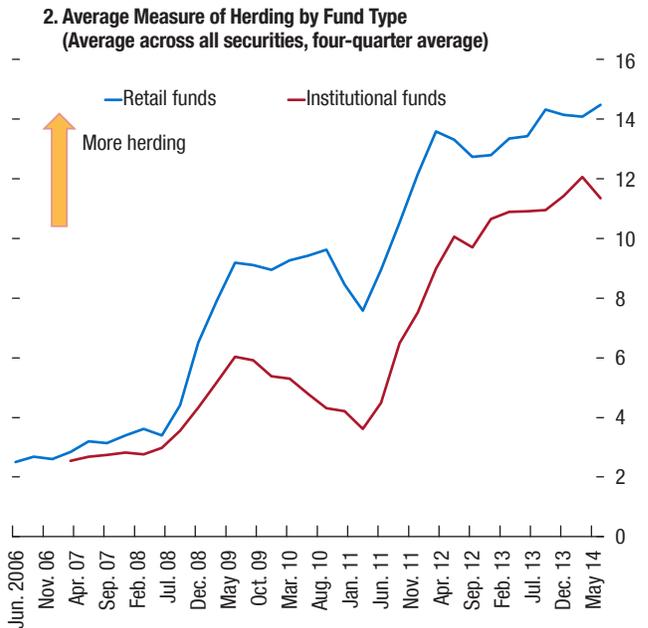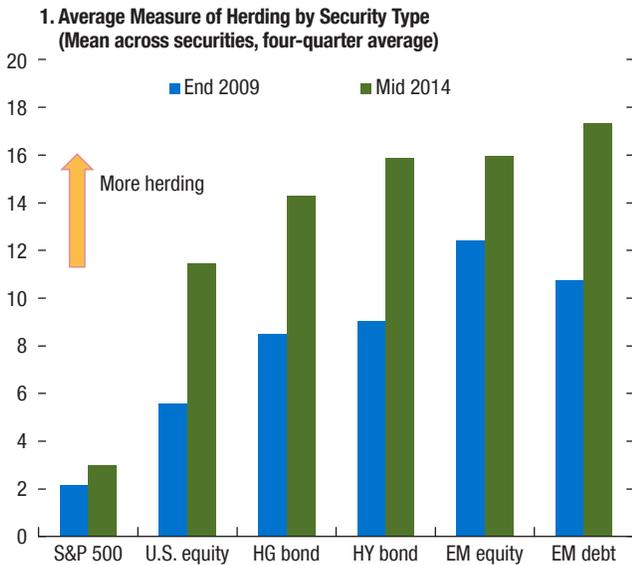**Figure 3.13. Herding among U.S. Mutual Funds**
(Percent)

Recently, U.S. mutual funds have been herding more in U.S. equity and corporate bond markets.

Retail funds tend to herd more than institutional funds.

1. Average Measure of Herding by Security Type
(Mean across securities, four-quarter average)

2. Average Measure of Herding by Fund Type
(Average across all securities, four-quarter average)

Sources: Calculated based on data from the survivor-bias-free US mutual fund database ©2014 Center for Research in Security Prices (CRSP®), The University of Chicago Booth School of Business); and IMF staff calculations.

Note: EM = emerging markets; HG = high grade; HY = high yield. The herding measure is that proposed by Lakonishok, Shleifer, and Vishny (1992). It assesses the strength of correlated trading among mutual funds investing in each security, controlling for their overall trade trends (see Box 2.5 of April 2014 *GFSR*). Note that the market as a whole cannot trade in the same direction, since at any given time, there must be a buyer for each seller. The measure is 0 when there is no sign of herding among mutual funds. It is calculated every quarter, looking at the fund-level activity in each security, and then averaged across securities. The measure is computed when there are at least five funds that changed the holdings of a security in each quarter for each security. The CRSP database contains security-by-security holdings of all U.S.-domiciled open-end mutual funds, covering more than 750,000 securities. To make the analysis computationally feasible, this chapter works with subsamples of securities that are randomly selected. Except for the S&P 500 sample, which includes all the 500 securities, the herding measure is calculated with 50,000 randomly selected securities for each of the subgroups.