

# Review of: "Sectoral Herding Contagion on Eve of New Year"

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**Potential competing interests:** No potential competing interests to declare.

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**Manuscript title:** Sectoral Herding Contagion on Eve of New Year.

I have gone through this manuscript with great interest. I appreciate authors efforts in addressing an important and timely topic discussing herding contagion on the eve of new year. The manuscript requires a careful English editing.

The following comments may be addressed in order to improve the quality of the manuscript.

**Title:** The article is titled as "Sectoral Herding Contagion on Eve of New Year". However, it also discusses market level herding. Therefore, the title of the article may be modified.

## **Introduction:**

1. Third paragraph. What is pure contagion? How fundamental and pure contagion are different?
2. "Intensity of herding mainly depends on the period and location." On what basis author/s made this statement.
3. A brief summary of the results can be discussed in the introduction section.
4. A short note on the differences between USA and Chinese stock markets can be added. Also, how these differences provides the opportunity for portfolio diversification. This will add value to the motivation of the study.
5. The last line of the fourth paragraph: How this study bridges the gap between traditional finance, behavioural finance and religion. From where religion comes in to discussion. This point is not discussed in the article.
6. Why author thinks that new year is a good time to study contagion effect.

## **Literature Review:**

1. Third paragraph: Why the author/s thinks that the current state of literature lacks consistency and require deep analysis.
2. One paragraph on methodological review can be added. This paragraph should summarize the existing state of methodologies employed in the literature.
3. Fourth paragraph: Similar to the Narayan and Zheng (2011) literature, a study by Kumar and Misra (2017) on liquidity variation across sectors can be added.

*Kumar, G., & Misra, A. K. (2018). Commonality in liquidity: Evidence from India's national stock exchange. Journal of*

*Asian Economics*, 59, 1-15.

1. Similar kind of literature is discussed in contagion section as well. How contagion section is different from the previous section. Change the number of sub-sections for better tracking.

#### **Research Methodology:**

1. Kindly elaborate on the data screening and cleaning process.
2. An appendix with the studied sector name, classification code and description can be added to the appendix.
3. In what context Aggarwal and Aggarwal and Rivoli (1989) article is referred in the methodology section.
4. Computation of CSAD is not clear. How Rmt and CSAD are different?
5. What is the difference between equation 4 and equation 5?

#### **Results and Discussion:**

1. The statements made in the first paragraph seems to be contradictory to each other. "Means returns of all stock markets remain low (Negative) on New Year. It concludes that stock markets are sensitive during calendar events and abnormal returns are observed in both stock markets."
2. Call the equation number along with the discussion of results.
3. "Economou et al. (2018) suggested that financial system, regulatory system, speculation in the market, institutional investors and inflows & outflows from international financial markets are the main reasons behind the strong presence of herding in the stock markets." How these reasons for herding behaviour fit into USA and Chinese market context.
4. Last paragraph: The study mentions "This study provides in-depth analysis of selected stock markets with remedial measures required to overcome herding." What are the remedial measures recommended in the study.

Good Luck!