A Nascent International Financial Channel of China's Monetary Policy Transmission

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Motivation

- China is a large economy affecting the rest of the world through:
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  - foreign direct investments;
  - global commodity markets;
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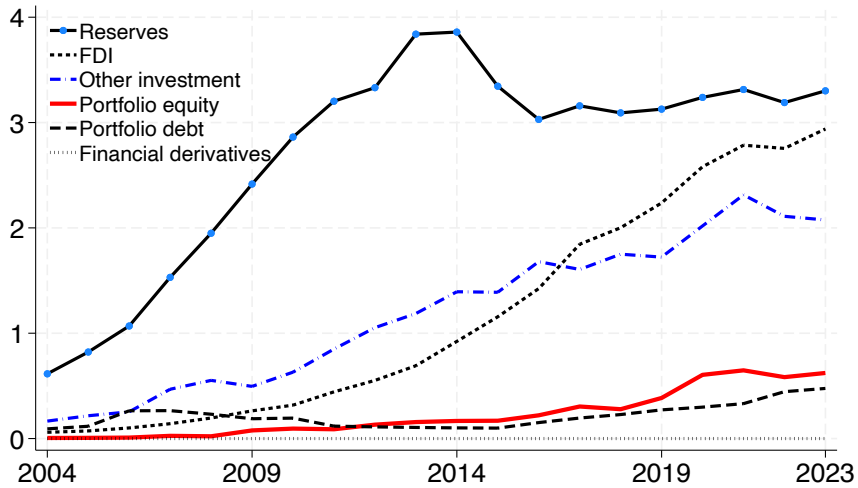
- This paper studies China's *financial* impact on country and individual U.S. stock returns through **private portfolio equity flows**.

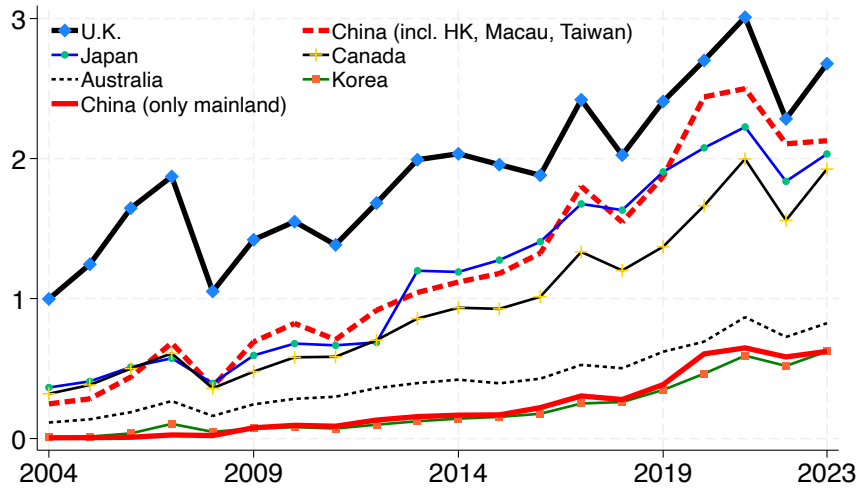
- And uncovers a nascent financial channel for the international transmission of **Chinese monetary policy** using stock holding data by mutual funds.

China's foreign equity holdings are sizable

China's Foreign Assets (T$)



China's Portfolio Equity Assets (T$)



Portfolio equity:

- From $5.5B in 2004 to $623B in 2023 (IMF or LMF).
- Comparable to South Korea and Australia; if we add HK, Macau, and Taiwan (which closely correlate), comparable to the U.K.

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We identify the transmission channel by constructing an exposure variable.

- **Qualified Domestic Institutional Investor** (QDII) program is the main channel through which the Chinese private sector invests in global equities.
- QDII mutual funds disclose stock holdings semiannually, allowing us to construct exposure variables for both MSCI index and individual U.S. stocks.
- Control for global shocks and real transmission channels, and address potential selection and identification concerns.

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- Fund managers accommodate withdrawals
- The transmission channel is retail-driven.

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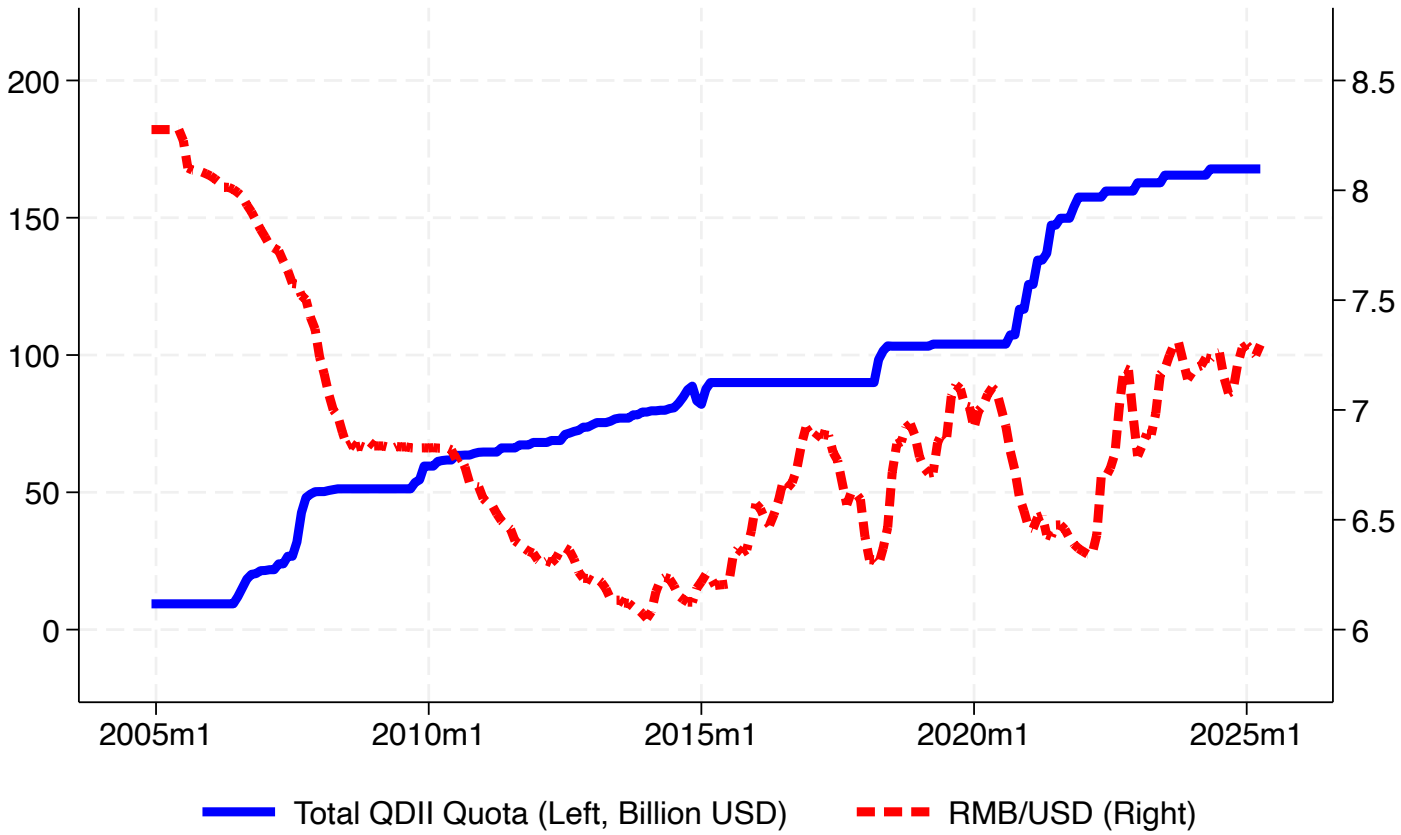
R4 We externally validate the results on days when QDII fund quotas were relaxed (higher Chinese private outflows expected) and the run-up to the Chinese Spring Festival (seasonal increase in liquidity demand).

Why does this matter?

RMB/USD Exchange Rate and Total QDII Quotas
(A decline is an appreciation)



- China wants to internationalize the RMB
- When RMB/USD appreciates, China increases QDII funds quotas

Related literature

- Literature on the international transmission of monetary policy.
  - Much work on the Fed and the ECB. We focus on China, as in Miranda-Agrippino et al. (2020).
- Literature on China's impact on the rest of the world
  - Morck et al. (2008); Agarwal et al. (2019); Cerutti et al. (2020); Horn et al. (2020, 2021); Ahmed and Rebucci (2022).
- Literature on China's global influence through its economic policies
  - Eichengreen and Tong (2015); Ahmed et al. (2019); Bahaj and Reis (2020); Miranda-Agrippino et al. (2020); Jermann et al. (2022); Copestake et al. (2023); Corneli et al. (2023); Gutierrez et al. (2024); Lodge et al. (2024); Shieh and Sanyal (2024).
- Literature on financial integration and liberalization.
  - Bekaert et al. (2005); Gourinchas and Jeanne (2006); Kose et al. (2009); Ma et al. (2020); Liu et al. (2024); Clayton et al. (2025).

Outline

- Institutional Backdrop
- Hypothesis, Data, and Empirical Strategy
- Empirical Results
- Conclusions

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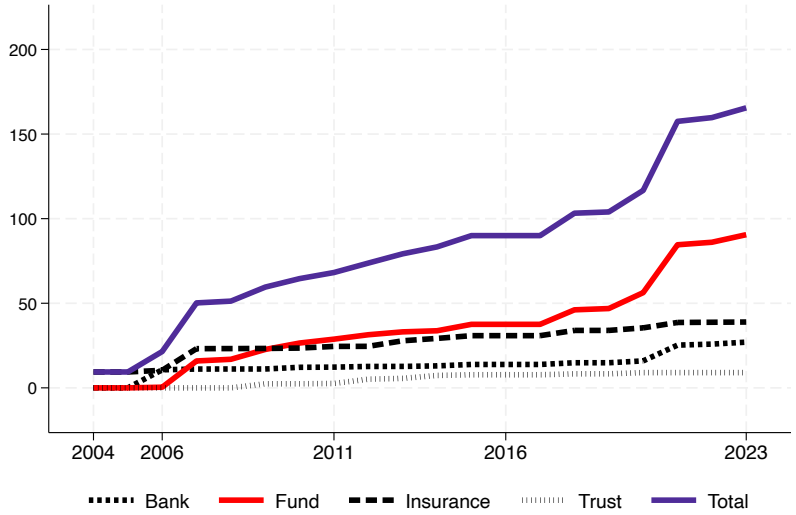
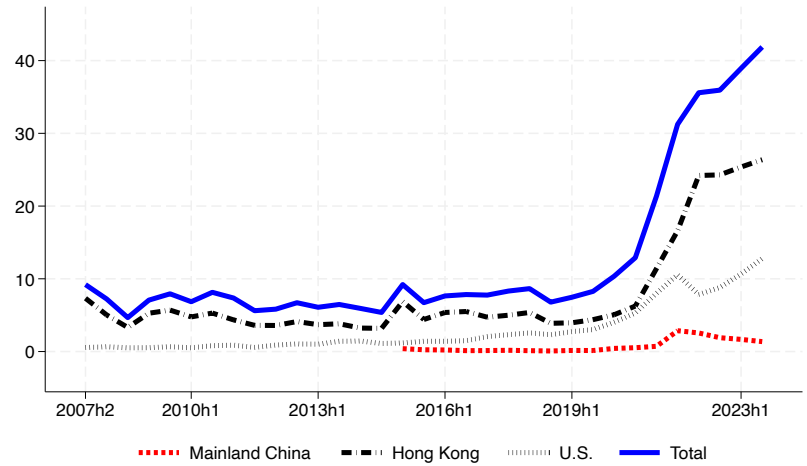
3. Capital flight

Increasing Size of QDII-fund Investment (Billion USD)

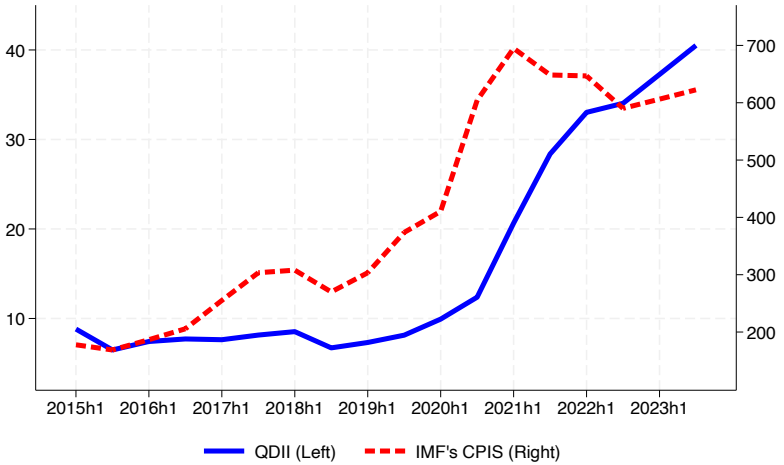
Panel A: QDII Quotas



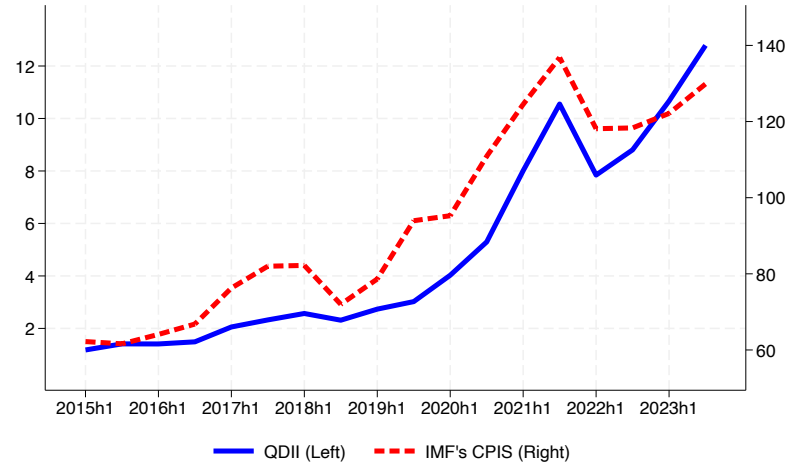
Panel B: QDII Fund Equity Holdings



Panel C: QDII Fund and China Equity Holdings Worldwide

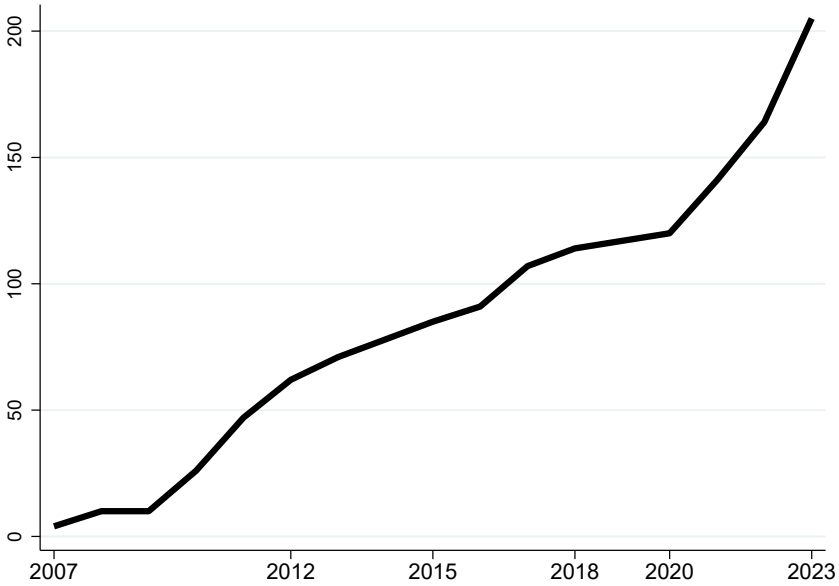


Panel D: QDII Fund and China Equity Holdings in the United States

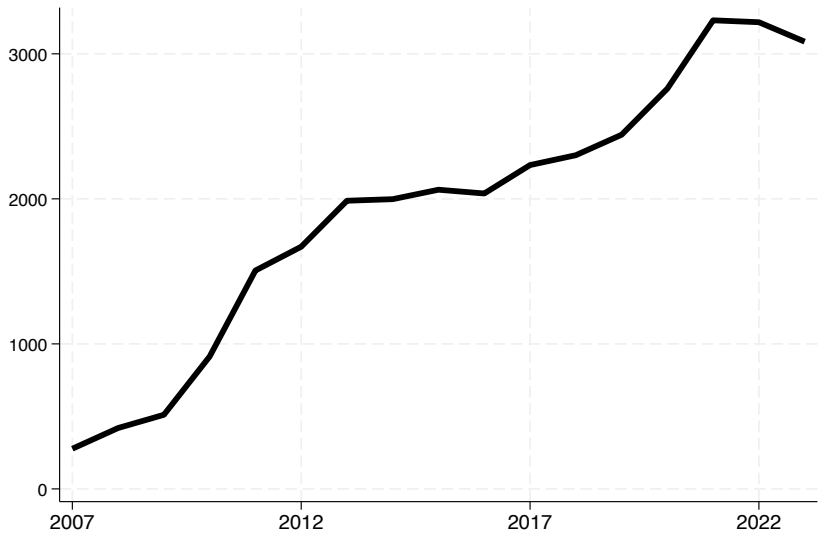


QDII Funds' Growth and Footprint

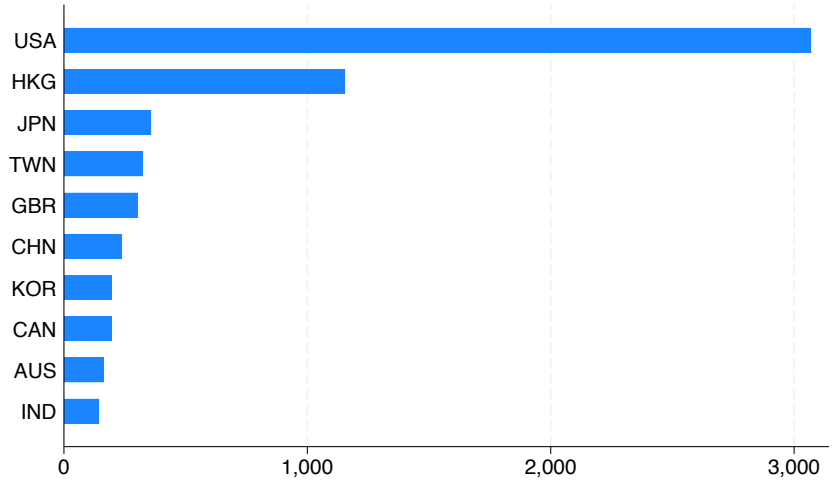
Panel A: Number of Fund Products



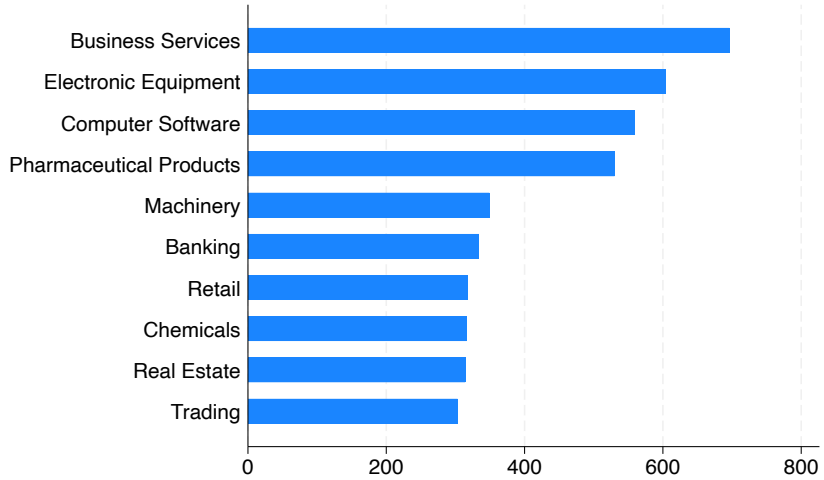
Panel B: Number of Stocks Held



Panel C: Top 10 Markets



Panel D: Top 10 Industries



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  - Public sector, such as sovereign wealth funds (Liu 2023)
    - ★ China Investment Corporation (CIC): discloses asset allocation, US$109 billion, presumably recorded in the IMF CPIS
    - ★ **SAFE and affiliated entities do not disclose holdings. US$1 trillion in foreign assets, o/w US$300 billion could be equities if the allocation is the same as CIC**

How representative are QDII funds of total *private* foreign equity holdings?

- Assumption: QDII fund holdings, allocations, and rebalancing behavior are representative of total private Chinese foreign equity holdings.
  - Although small in the world market, QDII funding equity holding is 6.5% (9.8%) of total Chinese foreign stock holdings worldwide (in the U.S.) in 2023. Summary Statistics for QDII fund Holdings
  - QDII fund holdings positively correlated with CPIS-reported holdings: level (year-on-year growth) correlation of 0.81 (0.2) and 0.94 (0.8) for worldwide and the US.
  - The country allocation in the QDII fund data has a correlation of 0.90 with the IMF CPIS data
  - Industry allocation in the CIC data correlates closely with the QDII data
  - All private holdings share similar behavior: the correlation between the cumulated error and omission and QDII fund equity holdings is 0.80 in levels and 0.58 in annual growth rates from 2007 to 2023.

Main Hypothesis

Hypothesis

A contractionary Chinese monetary policy announcement negatively impacts foreign stock returns, particularly for country indexes and individual stocks that are held by QDII funds.

Two potential mechanisms for the transmission:

1. **Chinese households** rebalance from riskier assets towards safer assets. $\rightarrow$ QDII funds experience outflows.
2. **QDII fund managers** accommodate household rebalancing. $\rightarrow$ QDII funds sell foreign equities.

Data

QDII holding information from Wind Terminal (Chinese version of Bloomberg).

- By regulation, QDII funds must disclose all stock holdings bi-annually and the top-10 holdings quarterly.
- Sample period: 2007-2023.

QDII funds data matched with firm-level information.

- Datastream, Worldscope, CRSP, Compustat: stock return and firm-level balance sheet info.
- Use the International Securities Identification Number (ISIN) for matching purposes.

Macro-level control variables: Summary Statistics

- U.S. monetary policy shocks (Acosta 2022)
- VIX from FRED, commodity prices from the IMF; country-level controls (CPI, industrial production) from the World Bank Global Economic Monitor, exchange rate data from the BIS

Empirical Strategy and Identification

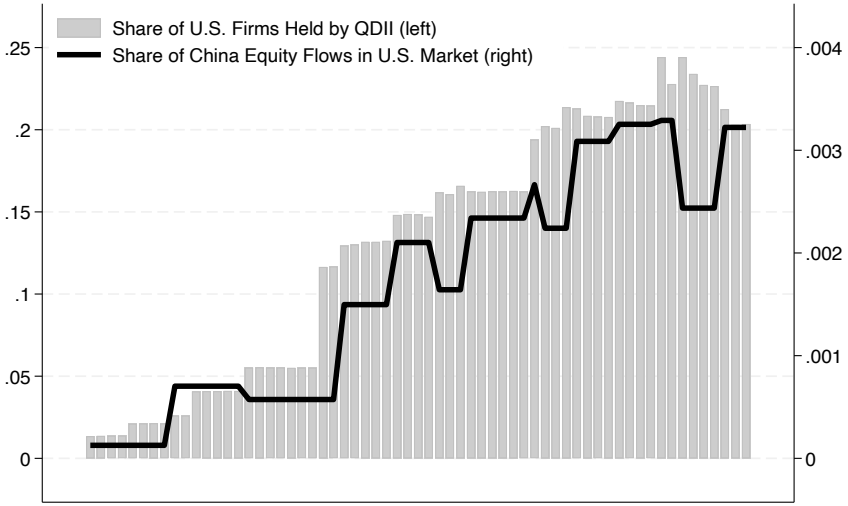
- Event-study analysis of foreign stock returns around Chinese monetary policy announcement days
- Identification
  - QDII funds holdings as a measure of exposure to Chinese private flows
    - ⋆ 0/1 variable: extensive margin
    - ⋆ No. of shares held or dollar values: intensive margin
- Threats to identification
  - Confounding global shocks
    - ⋆ We control for US monetary policy shocks, VIX,
  - Alternative channels
    - ⋆ We control for the real channel with commodity prices and firm characteristics
  - Selection issues
    - ⋆ We address with propensity score matching method

Chinese Monetary Policy Announcements

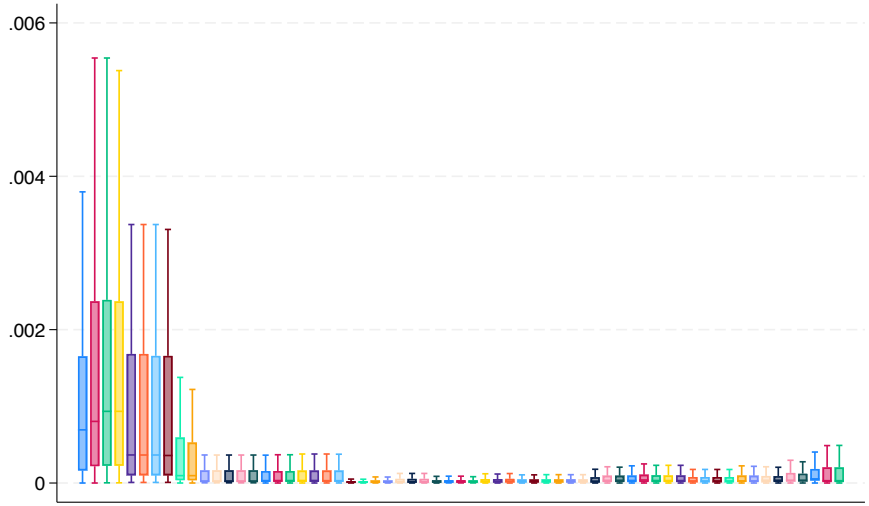
- Identifying Chinese monetary policy shocks is challenging.
- Focus on days when changes in important policy instruments are announced.
  - Required reserve ratio for banks
  - Benchmark bank deposit and lending rates
  - Medium-term lending facility (MLF) rate
  - 7-day reverse repo rate
- We drop announcement days with: 1) back-to-back announcements; 2) near FOMC meetings.
- Use daily change in 1-year interest rate swap rate on 7-day repo rate.
- Our sample has 63 events. Shock Series
- Use quota relaxation days and the Chinese Spring Festival to validate results externally.

QDII Fund Exposure

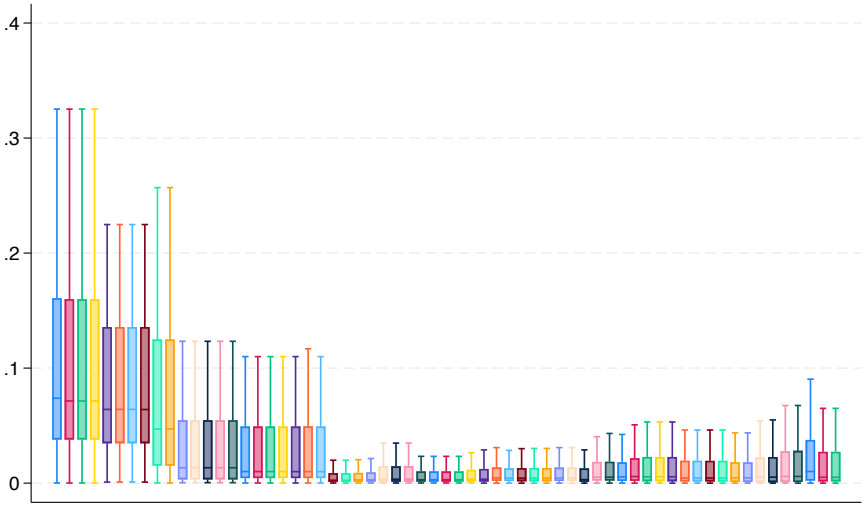
A: Share of Investable U.S. Stocks Exposed



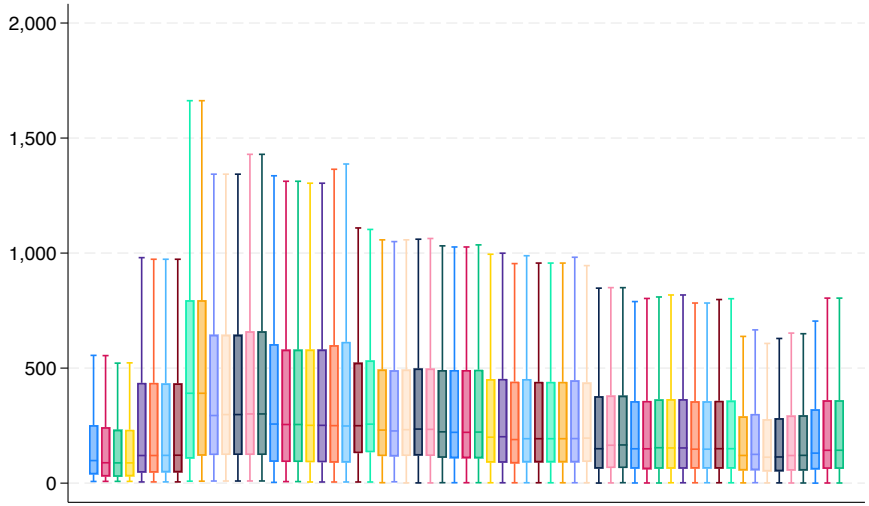
B: QDII Holding Shares



C: Number of U.S. Shares Held (in millions)



D: U.S. Shares Outstanding (in millions)



MSCI Return Around Chinese Monetary Policy Announcement Days

Using 63 monetary policy announcement days from 2008-2023, we estimate the following regressions at the MSCI level.

$$r_{ct} = \beta \times w_{c,t-1} * \text{MPS}_t^{\text{China}} + \text{Controls}_{c,t-1} + \varepsilon_{c,t} \quad (1)$$

- r_{ct}: MSCI country return
- $w_{c,t-1}$: the total QDII holding of country c as a share of the country's market cap.
- As QDII stock holding information available semi-annually, we use the latest release before the announcement day.
- $\text{MPS}_t^{\text{China}}$ is the 1-year swap rate change on the announcement day.
- Controls: US monetary policy shocks, VIX and commodity price changes; and controls for country-level fundamentals and real linkages with China.

MSCI Country Stock Return Results

- More exposed MSCI country index falls more on contractionary monetary policy announcement days
- The exchange rate depreciate, but not statisically significant

	MSCI Return (USD)			MSCI Return (LC)			Exchange Rate Change		
	All Sample (1)	AE (2)	EME (3)	All Sample (4)	AE (5)	EME (6)	All Sample (7)	AE (8)	EME (9)
$w_{c,t-1} * \text{MPS}_t^{\text{China}}$	-0.045***	-0.039***	-0.089***	-0.046***	-0.040***	-0.098***	0.036	0.087	0.893
	(0.011)	(0.009)	(0.034)	(0.012)	(0.010)	(0.037)	(0.283)	(0.307)	(0.825)
$w_{c,t-1} * \text{MPS}_t^{\text{US}}$	0.003	-0.002	0.013	0.006	0.003	0.014	-0.294	-0.460*	-0.431
	(0.005)	(0.007)	(0.017)	(0.006)	(0.008)	(0.018)	(0.180)	(0.241)	(0.491)
$w_{c,t-1} * \Delta \log \text{VIX}_t$	-0.021	0.078	-0.071	-0.008	-0.025	-0.038	-2.236	8.044	-5.253*
	(0.144)	(0.241)	(0.192)	(0.140)	(0.299)	(0.207)	(3.281)	(8.274)	(2.910)
$w_{c,t-1} * \Delta \log \text{Price}_t^{\text{Commodity}}$	-1.321	0.470	-4.105*	-1.476	-0.885	-3.424	24.954	122.651**	-29.756
	(1.118)	(1.518)	(2.415)	(1.159)	(1.841)	(2.515)	(30.874)	(54.264)	(46.090)
$w_{c,t-1}$	-0.013	0.011	-0.019	-0.018	-0.015	-0.023	0.459	2.245**	0.381
	(0.016)	(0.034)	(0.022)	(0.017)	(0.040)	(0.024)	(0.415)	(1.111)	(0.354)
Industry Production	0.003	-0.001	0.003	0.003	-0.003	0.002	0.105	0.203**	0.267
	(0.004)	(0.005)	(0.008)	(0.004)	(0.005)	(0.008)	(0.086)	(0.089)	(0.209)
Trade with China	0.000	0.000	0.000	-0.000	-0.000	-0.000	0.002	0.014	-0.001
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.005)	(0.009)	(0.005)
Lagged Dep. Variable	-0.144***	-0.276***	-0.064	-0.123**	-0.251***	-0.040	-23.411***	-15.870**	-25.799**
	(0.039)	(0.055)	(0.053)	(0.049)	(0.053)	(0.068)	(7.759)	(6.882)	(10.159)
Fixed effects				Country, Event					
Number of Events				63					
Number of Countries	55	25	30	55	25	30	55	25	30
Observations	3091	1470	1618	3040	1446	1590	3040	1446	1590
R^2	0.399	0.540	0.368	0.404	0.544	0.384	0.313	0.573	0.255

Economic magnitudes

- Following a one-standard-deviation contractionary monetary policy surprise, two MSCI country indices with a one-standard-deviation difference in QDII holding shares will experience a 13.5 basis points difference in dollar returns.

Individual US stock Returns Around Chinese Monetary Policy Announcements

Using the same announcements, we estimate the following regression at the individual stock level:

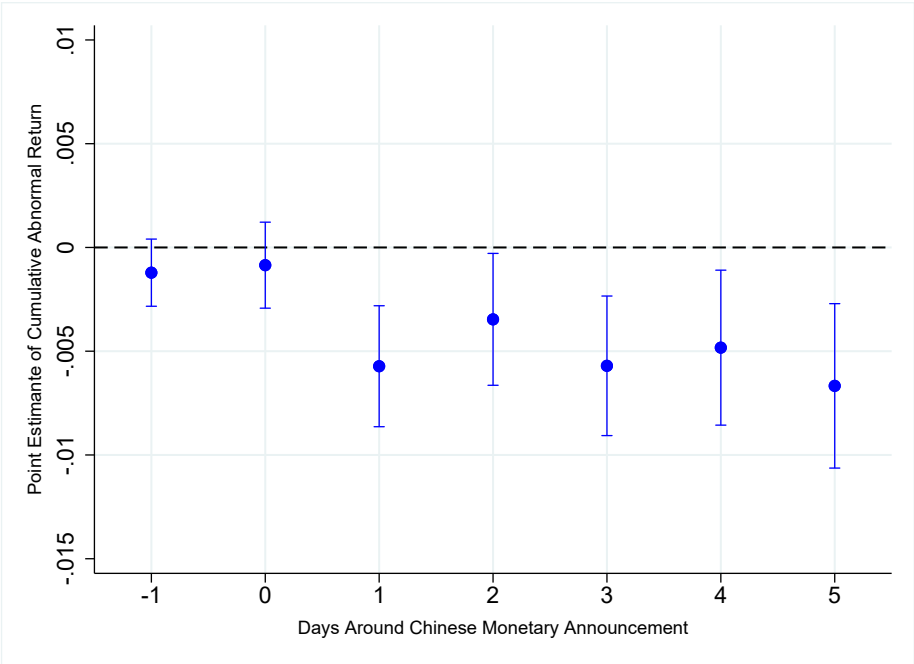
$$r_{it} = \beta \times w_{i,t-1} * \text{MPS}_t^{\text{China}} + \text{Controls}_{i,t-1} + \varepsilon_{i,t} \tag{2}$$

- r_{it}: individual US stock return (cumulative abnormal return or cumulative excess return)
- $w_{i,t-1}$: exposure to QDII holding of stock i
  - Dummy variable as benchmark results
  - No. of shares or dollar value normalized by total issued or market cap.
- As before, we use most recent QDII holding disclosure before the announcement day.
- $\text{MPS}_t^{\text{China}}$ is the 1-year swap rate change on the announcement day.
- Control for US monetary policy shocks, VIX and commodity price changes and firm-level information capturing China exposure through real channels.

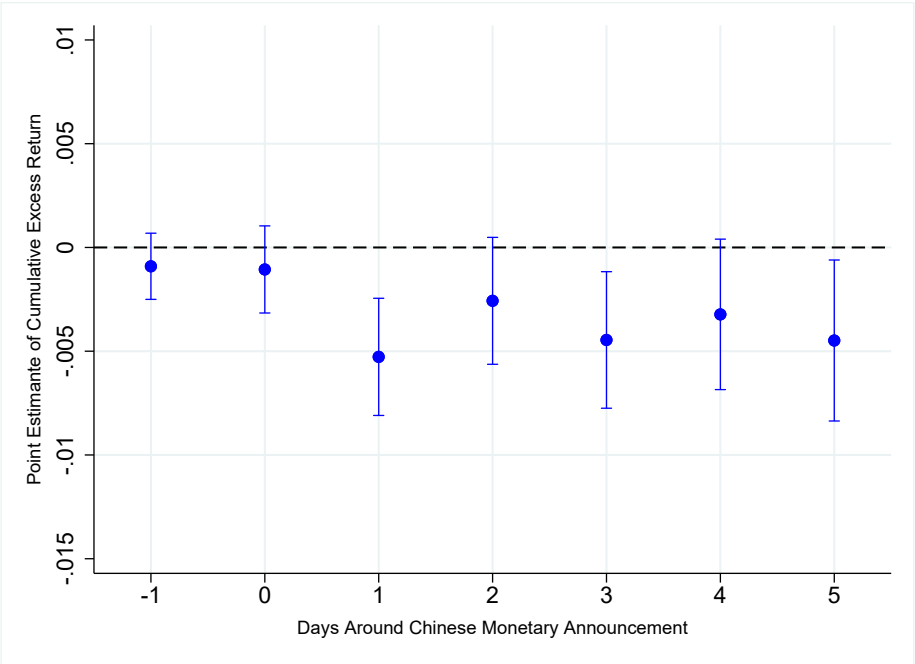
Individual US Stock Return Results

$$r_{it} = \beta \times 1_{i,t-1} * \text{MPS}_t^{\text{China}} + \text{Controls}_{i,t-1} + \varepsilon_{i,t}$$

A: Cumulative Abnormal Return



B: Cumulative Excess Return



Individual US Stock Return Response (Cumulative Abnormal Return)

	[-1, -1] (1)	[-1, 0] (2)	[-1, 1] (3)	[-1, 2] (4)	[-1, 3] (5)	[-1, 4] (6)	[-1, 5] (7)
$1_{i,t-1}^{\text{China}} \times \text{MPS}_t^{\text{China}}$	-0.001	-0.001	-0.006***	-0.004**	-0.006***	-0.005***	-0.007***
	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)	(0.002)	(0.002)
$1_{i,t-1}^{\text{China}} \times \text{MPS}_t^{\text{US}}$	-0.000	0.002**	0.003**	0.001	0.000	-0.003**	-0.003*
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)
$1_{i,t-1}^{\text{China}} \times \Delta \log \text{VIX}_t$	-0.003	-0.006	0.009	-0.003	-0.008	0.016	0.021*
	(0.006)	(0.007)	(0.008)	(0.010)	(0.010)	(0.011)	(0.011)
$1_{i,t-1}^{\text{China}} \times \Delta \log \text{Price}_t^{\text{Commodity}}$	-0.125*	-0.104	0.009	-0.071	-0.101	-0.009	0.027
	(0.066)	(0.078)	(0.091)	(0.107)	(0.116)	(0.125)	(0.134)
$1_{i,t-1}^{\text{China}}$	-0.010***	-0.011***	-0.015***	-0.009*	0.001	0.001	-0.002
	(0.003)	(0.004)	(0.005)	(0.006)	(0.006)	(0.007)	(0.007)
Size	-0.010***	-0.014***	-0.025***	-0.032***	-0.036***	-0.039***	-0.034***
	(0.001)	(0.002)	(0.002)	(0.003)	(0.003)	(0.003)	(0.004)
β^{US}	0.002	-0.003	-0.007*	-0.009**	-0.005	-0.010**	-0.003
	(0.002)	(0.003)	(0.004)	(0.004)	(0.004)	(0.005)	(0.005)
Turnover	0.000	0.000**	0.000**	0.000***	0.001***	0.001***	0.001***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Past one-month return	0.005**	0.013***	0.018***	0.023***	0.025***	0.028***	0.033***
	(0.002)	(0.004)	(0.005)	(0.006)	(0.006)	(0.006)	(0.007)
Constant	0.099*	0.029	0.156	0.201	0.215	0.231	0.052
	(0.056)	(0.096)	(0.117)	(0.141)	(0.142)	(0.152)	(0.171)
No. of Events				63			
Fixed Effects				Firm, Industry×Time			
Observations	297025	297025	297025	297025	297025	297025	297025
Adjusted R^2	0.685	0.672	0.681	0.657	0.664	0.655	0.657

Economic Magnitude

- The point estimate of –0.006 in column (3) indicates that, following a one–standard-deviation Chinese monetary policy shock, QDII-held U.S. stocks experience 60 bps lower returns than non-QDII-held stocks.

Individual US Stock Return Response (Cumulative Excess Return)

	[-1, -1] (1)	[-1, 0] (2)	[-1, 1] (3)	[-1, 2] (4)	[-1, 3] (5)	[-1, 4] (6)	[-1, 5] (7)
$1_{i,t-1}^{\text{China}} \times \text{MPS}_t^{\text{China}}$	0.000	-0.000	-0.005***	-0.002	-0.004**	-0.003*	-0.004**
	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)	(0.002)	(0.002)
$1_{i,t-1}^{\text{China}} \times \text{MPS}_t^{\text{US}}$	-0.001	0.002*	0.000	-0.001	-0.003*	-0.007***	-0.008***
	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)	(0.002)
$1_{i,t-1}^{\text{China}} \times \Delta \log \text{VIX}_t$	0.029***	0.019***	0.018***	0.024***	0.022***	0.011	0.019**
	(0.004)	(0.004)	(0.005)	(0.006)	(0.007)	(0.007)	(0.007)
$1_{i,t-1}^{\text{China}} \times \log \text{Price}_t^{\text{Commodity}}$	-0.066	-0.067	-0.041	-0.067	-0.103	-0.118	0.031
	(0.052)	(0.067)	(0.079)	(0.091)	(0.099)	(0.108)	(0.119)
$1_{i,t-1}^{\text{China}}$	-0.086***	-0.054***	-0.053***	-0.069***	-0.052***	-0.028	-0.049**
	(0.010)	(0.012)	(0.014)	(0.018)	(0.018)	(0.020)	(0.021)
Size	0.002*	0.010***	0.009***	0.013***	0.021***	0.028***	0.045***
	(0.001)	(0.002)	(0.002)	(0.003)	(0.003)	(0.003)	(0.004)
β^{US}	0.005**	-0.001	0.003	0.001	-0.003	-0.003	-0.006
	(0.002)	(0.003)	(0.004)	(0.004)	(0.004)	(0.005)	(0.005)
Turnover	0.000	0.000**	0.000**	0.000***	0.001***	0.001***	0.001***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Past one-day return	0.006**	0.013***	0.020***	0.025***	0.028***	0.033***	0.037***
	(0.002)	(0.004)	(0.005)	(0.006)	(0.006)	(0.006)	(0.007)
Constant	-0.157***	-0.449***	-0.576***	-0.750***	-0.959***	-1.218***	-1.608***
	(0.057)	(0.098)	(0.120)	(0.141)	(0.142)	(0.156)	(0.171)
No. of Events				63			
Fixed Effects				Firm, Industry×Event			
Observations	297025	297025	297025	297025	297025	297025	297025
Adjusted R^2	0.685	0.670	0.687	0.679	0.691	0.701	0.701

Individual US Stock Return Response by Firm-Characteristics

- Results more pronounced for smaller and illiquid stocks.
- Not driven by ADRs, high China beta or higher foreign sales stocks.

	A: Size		B: Illiquidity		C: Turnover		D: Listed Exchange		E: β^{China}		F: Foreign Sales	
	Small (1)	Large (2)	Low (3)	High (4)	Low (5)	High (6)	Regular (7)	ADR (8)	Low (9)	High (10)	Low (11)	High (12)
$1^{China}_{i,t-1} \times MPS^{China}_t$	-0.011***	-0.000	0.000	-0.012***	-0.006***	-0.004**	-0.004***	-0.012**	-0.004**	-0.007***	-0.006***	0.004
	(0.002)	(0.002)	(0.002)	(0.003)	(0.002)	(0.002)	(0.001)	(0.006)	(0.002)	(0.002)	(0.001)	(0.003)
$1^{China}_{i,t-1} \times MPS^{US}_t$	0.006***	-0.001	-0.004***	0.008***	0.002	0.003*	0.002*	0.001	-0.001	0.005**	0.004***	0.002
	(0.002)	(0.001)	(0.001)	(0.002)	(0.002)	(0.002)	(0.001)	(0.003)	(0.002)	(0.002)	(0.001)	(0.003)
$1^{China}_{i,t-1} \times \Delta \log VIX_t$	-0.034**	0.048***	0.049***	-0.044***	0.001	0.009	0.011	-0.011	0.030***	-0.012	-0.008	0.034**
	(0.014)	(0.008)	(0.008)	(0.014)	(0.010)	(0.014)	(0.009)	(0.026)	(0.011)	(0.015)	(0.011)	(0.014)
$1^{China}_{i,t-1} \times \Delta \log Price^{Commodity}_t$	-0.184	0.128	0.229**	-0.277*	0.199*	-0.234	-0.004	0.210	0.171	-0.002	-0.107	0.141
	(0.160)	(0.091)	(0.094)	(0.159)	(0.113)	(0.160)	(0.095)	(0.311)	(0.129)	(0.150)	(0.114)	(0.108)
$1^{China}_{i,t-1}$	-0.022	-0.017***	-0.018***	-0.027	-0.018**	-0.017***	-0.016***	-0.006	-0.018***	-0.010	-0.013***	-0.016**
	(0.016)	(0.006)	(0.005)	(0.017)	(0.008)	(0.005)	(0.005)	(0.017)	(0.005)	(0.006)	(0.005)	(0.008)
Size	-0.020***	-0.034***	-0.028***	-0.018***	-0.019***	-0.028***	-0.026***	-0.016**	-0.020***	-0.028***	-0.023***	0.002
	(0.004)	(0.004)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.007)	(0.003)	(0.003)	(0.003)	(0.005)
β^{US}	0.000	-0.020***	-0.020***	-0.001	-0.002	-0.005	-0.005	-0.003	-0.013***	-0.001	-0.006*	-0.017
	(0.005)	(0.004)	(0.004)	(0.005)	(0.005)	(0.004)	(0.004)	(0.009)	(0.004)	(0.004)	(0.004)	(0.012)
Turnover	0.000***	-0.000**	-0.000	0.000**	-0.000	-0.000	0.000	-0.000***	0.000***	0.000	0.000*	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.001)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Past one-month return	0.018***	0.019***	0.027***	0.017***	0.016**	0.016**	0.019***	0.005	0.025**	0.014***	0.018***	0.013
	(0.005)	(0.005)	(0.006)	(0.006)	(0.007)	(0.007)	(0.005)	(0.007)	(0.012)	(0.005)	(0.004)	(0.014)
Constant	-0.007	0.406***	0.109	0.009	-0.068	0.086	-0.015	0.043	-0.065	0.269**	0.124	-0.273
	(0.142)	(0.139)	(0.154)	(0.156)	(0.153)	(0.152)	(0.117)	(0.175)	(0.254)	(0.130)	(0.107)	(0.351)
Observations	147850	148117	148322	147619	147507	148042	236063	60554	147909	148242	252365	44073
Adjusted R^2	0.676	0.761	0.761	0.674	0.703	0.718	0.695	0.639	0.723	0.690	0.702	0.806
Fixed Effect	Firm, Industry×Time											
Event	63											

Robustness: Sample Selection

- Chinese QDII funds have held 2,375 U.S. listed stocks out of 10,491 investable equities.
- There are 732 ADRs, of which 243 ADRs were invested by QDII funds.
- We match 2,359 U.S. stocks held by Chinese investors, compared to 5,231 U.S. stocks not exposed to QDII funds and check their effectiveness of mean comparison after the propensity score matching.

	Stocks held by QDII fund			Stocks not held by QDII fund			Difference	
	Mean (1)	Median (2)	S.D. (3)	Mean (4)	Median (5)	S.D. (6)	Mean (7)	T-test (8)
Panel A: Before propensity score matching								
Size	22.768	22.921	1.691	19.673	19.644	1.892	3.095	***
Turnover	12.403	8.448	15.069	12.538	5.166	206.515	-0.135	
β^{US}	1.111	1.066	0.466	0.949	0.945	0.634	0.162	***
Panel B: After propensity score matching								
Size	22.221	22.427	1.525	22.222	22.413	1.507	-0.001	
Turnover	14.722	9.228	31.814	12.881	7.825	312.618	1.840	
β^{US}	1.141	1.091	0.493	1.136	1.081	0.524	0.005	

Robustness: Sample Selection

- Results barely change in a matched sample.

Event window	(1) [-1]	(2) [-1, 0]	(3) [-1, 1]	(4) [-1, 2]	(5) [-1, 3]	(6) [-1, 4]	(7) [-1, 5]
$1^{\text{China}}_{i,t-1} \times \text{MPS}^{\text{China}}_t$	-0.001	-0.000	-0.006***	-0.004**	-0.005**	-0.004*	-0.005*
	(0.001)	(0.002)	(0.002)	(0.002)	(0.002)	(0.003)	(0.003)
$1^{\text{China}}_{i,t-1} \times \text{MPS}^{\text{US}}_t$	-0.000	-0.000	-0.001	-0.001	-0.002	-0.005**	-0.006***
	(0.001)	(0.001)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
$1^{\text{China}}_{i,t-1} \times \Delta \log \text{VIX}_t$	0.000	-0.016	-0.027**	-0.047**	-0.052***	-0.017	-0.010
	(0.008)	(0.011)	(0.014)	(0.019)	(0.020)	(0.021)	(0.022)
$1^{\text{China}}_{i,t-1} \times \Delta \log \text{Price}^{\text{Commodity}}_t$	-0.127	-0.135	-0.072	-0.299*	-0.310*	-0.333*	-0.427**
	(0.092)	(0.117)	(0.141)	(0.161)	(0.170)	(0.186)	(0.200)
$1^{\text{China}}_{i,t-1}$	-0.005**	-0.004	-0.009**	-0.007	0.003	0.004	0.003
	(0.002)	(0.003)	(0.004)	(0.005)	(0.005)	(0.006)	(0.006)
Size	-0.018***	-0.020***	-0.038***	-0.055***	-0.060***	-0.062***	-0.052***
	(0.003)	(0.004)	(0.005)	(0.006)	(0.006)	(0.006)	(0.007)
β^{US}	0.007	0.008	0.003	-0.002	0.000	-0.005	0.001
	(0.008)	(0.008)	(0.008)	(0.008)	(0.009)	(0.011)	(0.011)
Turnover	0.000***	-0.000***	-0.000***	-0.000***	-0.000***	-0.000***	-0.000***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Past one-day return	0.023	0.028*	0.031*	0.026	0.023	0.028	0.027
	(0.015)	(0.016)	(0.018)	(0.022)	(0.025)	(0.029)	(0.029)
Constant	-0.086	-0.145	0.207	0.693	0.875	0.821	0.617
	(0.307)	(0.339)	(0.379)	(0.480)	(0.542)	(0.614)	(0.620)
No. of Events				63			
Fixed Effects				Firm, Industry×FE			
Observations	57217	57217	57217	57217	57217	57217	57217
Adjusted R^2	0.745	0.785	0.775	0.760	0.770	0.766	0.760

Robustness: Intensity measure

- Statistically weaker but consistent results using intensity measures.

	A: Cumulative Abnormal Return			B: Cumulative Excess Return		
	[-1, -1] (1)	[-1, 0] (2)	[-1, 1] (3)	[-1, -1] (4)	[-1, 0] (5)	[-1, 1] (6)
$w_{i,t-1}^{\text{China}} \times \text{MPS}_t^{\text{China}}$	-0.085	-0.173*	-0.126	-0.105	-0.239**	-0.146
	(0.093)	(0.100)	(0.187)	(0.086)	(0.118)	(0.186)
$w_{i,t-1}^{\text{China}} \times \text{MPS}_t^{\text{US}}$	0.086	0.133	0.218	0.128	0.159	0.178
	(0.076)	(0.089)	(0.133)	(0.089)	(0.101)	(0.137)
$w_{i,t-1}^{\text{China}} \times \Delta \log \text{VIX}_t$	-2.441	-4.190**	-2.033	-3.078	-4.922**	-2.741
	(1.743)	(1.936)	(2.071)	(1.881)	(2.059)	(2.196)
$w_{i,t-1}^{\text{China}} \times \Delta \log \text{Price}_t^{\text{Commodity}}$	-11.858	-17.293	-10.942	-17.080	-21.274	-18.299
	(13.455)	(15.744)	(19.767)	(14.189)	(15.776)	(19.101)
$w_{i,t-1}^{\text{China}}$	0.132	0.391	0.646	0.309	0.694*	0.897
	(0.288)	(0.356)	(0.560)	(0.313)	(0.371)	(0.579)
Size	-0.011***	-0.015***	-0.026***	0.002	0.009***	0.009***
	(0.001)	(0.002)	(0.002)	(0.001)	(0.002)	(0.002)
β^{US}	0.003	-0.001	-0.004	0.006***	0.001	0.004
	(0.002)	(0.003)	(0.004)	(0.002)	(0.003)	(0.004)
Turnover	0.000	-0.000	-0.000	0.000	-0.000	-0.000*
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Past one-month return	0.005**	0.013***	0.018***	0.006***	0.013***	0.020***
	(0.002)	(0.004)	(0.005)	(0.002)	(0.004)	(0.005)
Constant	0.108*	0.049	0.182	-0.159***	-0.444***	-0.569***
	(0.056)	(0.095)	(0.117)	(0.058)	(0.097)	(0.119)
No. of Events	63					
Fixed Effects	Firm, Industry×FE					
Observations	297025	297025	297025	297025	297025	297025
Adjusted R^2	0.685	0.671	0.680	0.685	0.670	0.687

Additional Robustness

Our results are robust to further tests.

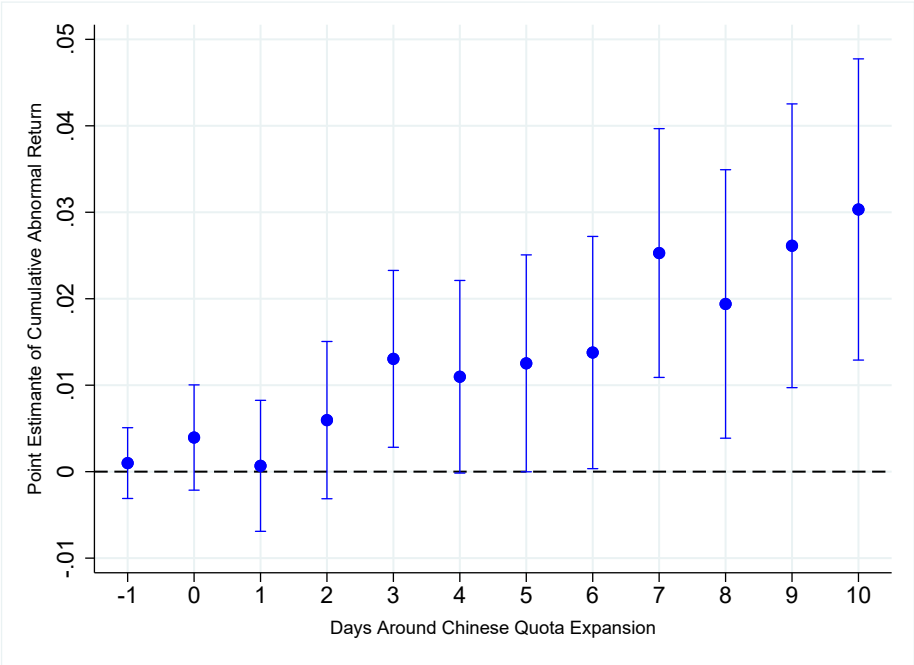
- Macro variables correlation. Correlation Table
- Control future U.S. monetary policy shocks Results
- Control future commodity price changes Results
- Subsample tests before and after 2015 Results
- Alternative Chinese monetary policy shock by Chen et al. 2018 Results
- Non-Randomness following Roberts and Whited 2013 Results
- Index selection issues Results
- Control the real channel of Chinese monetary policy transmission:
  1) Exclude Chinese Concept Stocks; Results
  2) Firm-level foreign sales to China; Results
  3) Chinese country-level outward direct investment Results

Quota Expansion

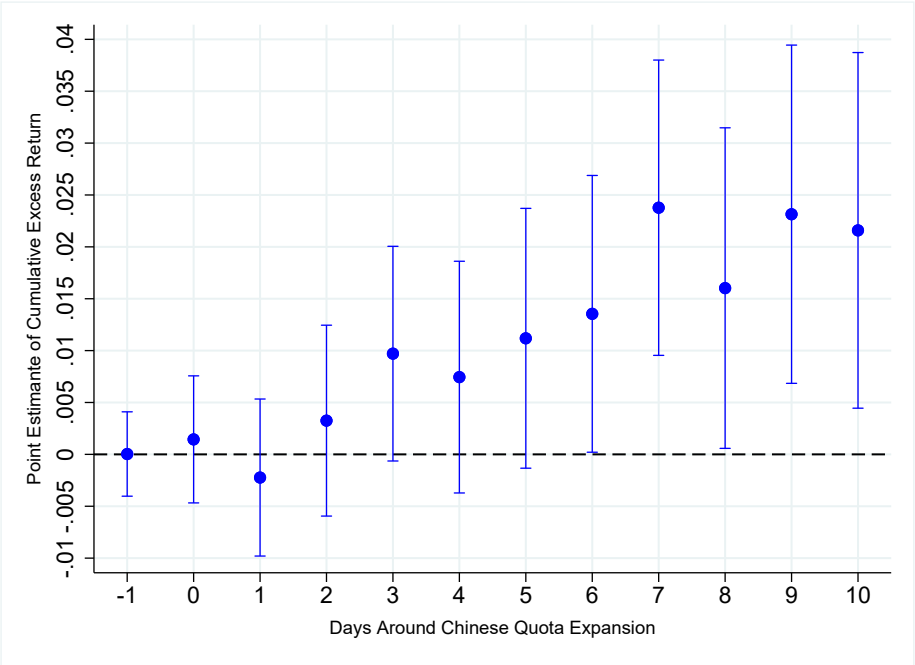
- When QDII fund gets more quota, more outflows are expected.
- Stocks held by QDII funds should respond positively.

$$r_{it} = \beta \times 1_{i,t-1} + \text{Controls}_{i,t-1} + \varepsilon_{i,t}$$

A: Cumulative Abnormal Return



B: Cumulative Excess Return



External Validation: Quota Expansion

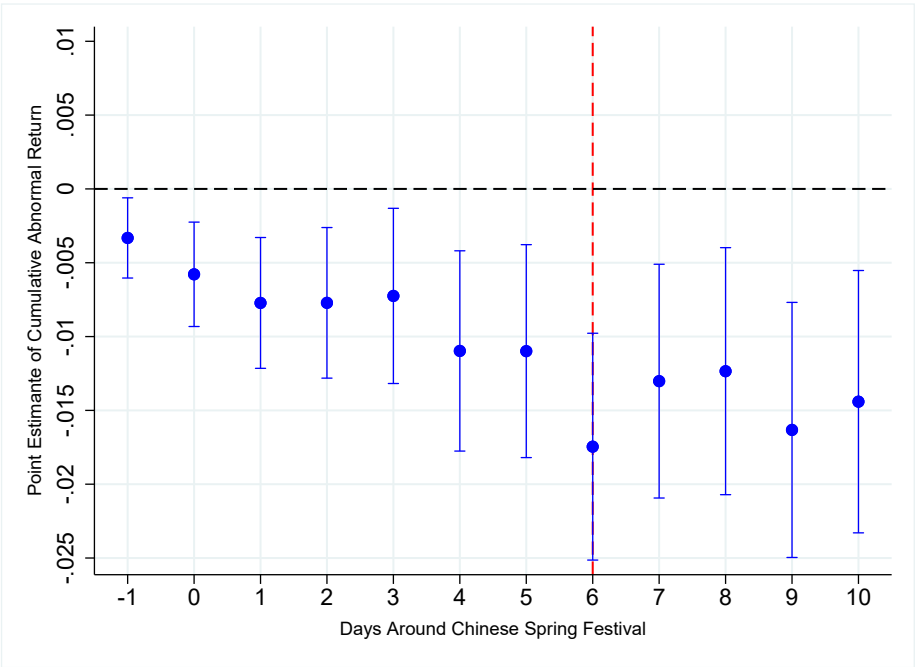
Event Window	(1) [-1, -1]	(2) [-1, 0]	(3) [-1, 1]	(4) [-1, 2]	(5) [-1, 3]	(6) [-1, 4]	(7) [-1, 5]	(8) [-1, 6]	(9) [-1, 7]	(10) [-1, 8]	(11) [-1, 9]	(12) [-1, 10]
1_{t-1}^{China}	0.001	0.004	0.001	0.006	0.013**	0.011*	0.013*	0.014**	0.025***	0.019**	0.026***	0.030***
	(0.002)	(0.003)	(0.004)	(0.005)	(0.005)	(0.006)	(0.006)	(0.007)	(0.007)	(0.008)	(0.008)	(0.009)
$1_{t-1}^{\text{China}} * \text{MPS}_t^{\text{China}}$	-0.006***	-0.005***	-0.006***	-0.007***	-0.004	-0.002	-0.001	-0.005	0.002	0.006*	0.005	0.004
	(0.001)	(0.001)	(0.002)	(0.002)	(0.002)	(0.002)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.004)
$1_{t-1}^{\text{China}} * \text{MPS}_t^{\text{US}}$	-0.007***	-0.009***	-0.014***	-0.011***	-0.003	-0.002	-0.005	-0.002	-0.001	-0.001	-0.001	-0.004
	(0.002)	(0.002)	(0.003)	(0.004)	(0.004)	(0.004)	(0.004)	(0.005)	(0.005)	(0.006)	(0.006)	(0.006)
$1_{t-1}^{\text{China}} * \Delta \log \text{VIX}_t$	0.001	-0.002	-0.002	-0.004**	-0.007***	-0.006***	-0.006**	-0.009***	-0.010***	-0.008***	-0.009***	-0.007**
	(0.001)	(0.001)	(0.002)	(0.002)	(0.002)	(0.002)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
$1_{t-1}^{\text{China}} * \Delta \log \text{Price}_t^{\text{Commodity}}$	0.036**	0.125***	0.183***	0.130***	0.060*	-0.016	-0.030	-0.028	-0.074	-0.070	-0.074	-0.105*
	(0.014)	(0.020)	(0.024)	(0.032)	(0.034)	(0.036)	(0.039)	(0.046)	(0.048)	(0.050)	(0.053)	(0.055)
Size	-0.001	0.003*	0.006***	0.008***	0.008***	0.004	0.007**	0.004	0.006	0.004	0.002	0.004
	(0.001)	(0.002)	(0.002)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.004)	(0.004)	(0.004)	(0.005)
β^{US}	0.009***	0.009***	0.010***	0.014***	0.014***	0.010*	0.010**	0.014**	0.007	0.008	0.011*	0.010
	(0.001)	(0.002)	(0.004)	(0.005)	(0.005)	(0.005)	(0.005)	(0.005)	(0.006)	(0.006)	(0.006)	(0.006)
Turnover	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Past One-month Return	0.006***	0.007**	0.025**	0.042*	0.045*	0.048**	0.055**	0.059**	0.064***	0.071***	0.076***	0.083***
	(0.002)	(0.003)	(0.013)	(0.024)	(0.024)	(0.024)	(0.023)	(0.023)	(0.023)	(0.023)	(0.023)	(0.023)
Constant	-0.153***	-0.227***	-0.659**	-1.058**	-1.138**	-1.175**	-1.360***	-1.407***	-1.561***	-1.649***	-1.734***	-1.931***
	(0.045)	(0.063)	(0.271)	(0.513)	(0.508)	(0.506)	(0.502)	(0.497)	(0.490)	(0.490)	(0.497)	(0.505)
Observations	187222	187222	187222	187222	187222	187222	187222	187222	187222	187222	187222	187222
Adjusted R^2	0.753	0.767	0.760	0.764	0.765	0.776	0.782	0.793	0.794	0.792	0.794	0.804
Fixed Effect						Firm, Industry×Event						
Number of Events						43						

External Validation: Chinese Spring Festival

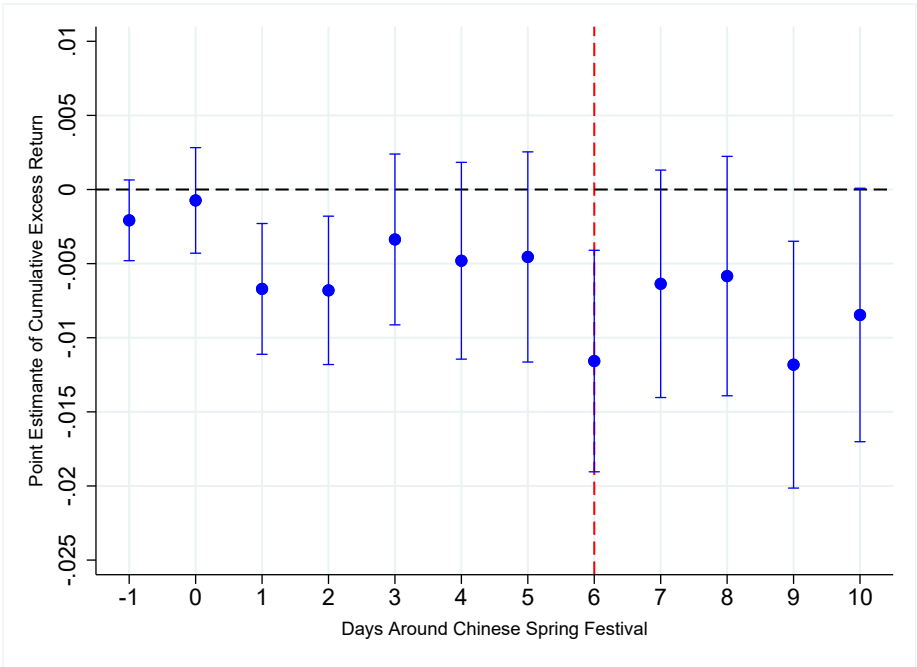
- Households withdraw cash in preparation for the Chinese Spring Festival.
- Stocks held by QDII funds respond negatively.

$$r_{it} = \beta \times 1_{i,t-1} + \text{Controls}_{i,t-1} + \varepsilon_{i,t}$$

A: Cumulative Abnormal Return



B: Cumulative Excess Return



External Validation: Chinese Spring Festival

Event Window	[-1, -1] (1)	[-1, 0] (2)	[-1, 1] (3)	[-1, 2] (4)	[-1, 3] (5)	[-1, 4] (6)	[-1, 5] (7)	[-1, 6] (8)	[-1, 7] (9)	[-1, 8] (10)	[-1, 9] (11)	[-1, 10] (12)
1_{t-1}^{China}	-0.003**	-0.006***	-0.008***	-0.008***	-0.007**	-0.011***	-0.011***	-0.017***	-0.013***	-0.012***	-0.016***	-0.014***
	(0.001)	(0.002)	(0.002)	(0.003)	(0.003)	(0.003)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.005)
$1_{t-1}^{\text{China}} * \text{MPS}_t^{\text{China}}$	-0.000	-0.000	-0.000	0.001	-0.000	0.000	-0.001	0.001	-0.001	0.000	0.001	0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)	(0.002)	(0.002)
$1_{t-1}^{\text{China}} * \text{MPS}_t^{\text{US}}$	-0.002	-0.003	-0.008**	-0.009**	-0.003	-0.003	-0.007	-0.010*	-0.005	-0.005	-0.009	-0.010
	(0.002)	(0.003)	(0.004)	(0.004)	(0.005)	(0.005)	(0.005)	(0.006)	(0.006)	(0.006)	(0.006)	(0.007)
$1_{t-1}^{\text{China}} * \Delta \log \text{VIX}_t$	0.004***	0.001	0.003	-0.001	-0.003	-0.005	0.001	0.001	0.001	0.001	0.002	0.006
	(0.001)	(0.002)	(0.002)	(0.002)	(0.003)	(0.003)	(0.003)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
$1_{t-1}^{\text{China}} * \Delta \log \text{Price}_t^{\text{Commodity}}$	0.039***	0.025**	0.020	0.015	-0.038**	-0.057***	-0.074***	-0.060***	-0.067***	-0.087***	-0.066**	-0.025
	(0.009)	(0.011)	(0.015)	(0.017)	(0.019)	(0.020)	(0.021)	(0.023)	(0.024)	(0.025)	(0.026)	(0.027)
Size	-0.001	-0.001	-0.003*	-0.002	-0.008***	-0.011***	-0.013***	-0.011***	-0.010***	-0.010***	-0.010***	-0.009***
	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
β^{US}	0.000	0.001	0.004***	0.003*	0.001	0.001	0.000	0.000	-0.001	-0.002	-0.003	-0.003
	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.003)	(0.003)
Turnover	-0.000	0.000**	0.000	0.000	0.000	0.000	0.000	0.000	0.000*	0.000*	0.000*	0.000*
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Past one-month return	-0.002	-0.002*	-0.005**	-0.007**	-0.006*	-0.008**	-0.008**	-0.009**	-0.013***	-0.012***	-0.010**	-0.012***
	(0.001)	(0.001)	(0.002)	(0.003)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.005)	(0.005)
Constant	0.062**	0.087***	0.164***	0.189***	0.256***	0.345***	0.385***	0.371***	0.441***	0.434***	0.399***	0.434***
	(0.026)	(0.032)	(0.059)	(0.067)	(0.085)	(0.086)	(0.086)	(0.091)	(0.102)	(0.098)	(0.107)	(0.108)
Observations	73872	73872	73872	73872	73872	73872	73872	73872	73872	73872	73872	73872
Adjusted R^2	0.689	0.695	0.637	0.654	0.660	0.660	0.671	0.680	0.681	0.676	0.685	0.680
Fixed Effect						Firm, Industry×Event						
No. of Events						16						

Mechanism

- Household rebalancing $\rightarrow$ QDII funds experience outflows.

$$\text{Fund flows}_{ft} = \beta \times \text{MPS}_t^{China} + \text{Controls}_{ft} + \varepsilon_{ft}$$

  - Fund flows$_{ft}$: $\frac{\text{TNA}_{f,t} - (1+\text{Ret}_{f,t}) \times \text{TNA}_{f,t-1}}{\text{TNA}_{f,t-1}}$ constructed at quarterly frequency.
- Fund managers rebalancing $\rightarrow$ Lower share of equity in total assets

$$\frac{\Delta x_{f,t}}{TNA_{f,t-1}} = \beta \times \text{MPS}_t^{China} + \text{Controls}_{ft} + \varepsilon_{f,t}$$

  - $\Delta x_{f,t}$: quarterly change in portfolio share of stocks, bonds, cash, or other assets.

Household Rebalancing

	Active			Passive
	Equity	Mixed	Bond	Equity
	(1)	(2)	(3)	(4)
MPS_t^{China}	-0.102***	-0.117***	0.014	-0.030
	(0.036)	(0.035)	(0.075)	(0.045)
MPS_t^{US}	-0.020**	-0.037**	0.006	-0.030***
	(0.009)	(0.014)	(0.045)	(0.011)
$\Delta \log VIX_t$	0.010	-0.006	-0.153	0.174***
	(0.035)	(0.018)	(0.171)	(0.050)
$\Delta \log Price_t^{Commodity}$	0.130	0.214**	-1.130**	-0.123
	(0.120)	(0.099)	(0.462)	(0.126)
Fund $return_{t-1}$	0.002	0.005***	0.014**	-0.002
	(0.002)	(0.001)	(0.006)	(0.002)
Fund $flow_{t-1}$	-0.009	-0.020	0.001	0.001
	(0.007)	(0.019)	(0.017)	(0.014)
Constant	0.082***	0.030***	0.163***	0.122***
	(0.003)	(0.002)	(0.014)	(0.005)
Fixed Effect		Fund		
Number of Funds	42	57	8	113
Observations	1072	1342	197	1567
R^2	0.081	0.095	0.084	0.139

- Decompose fund flows according to the share of retail and institutional investors.
- Retail flows respond more strongly than institutional flows. Results

Manager Rebalaning

	$\frac{\Delta\text{Stock}_t}{\text{TNA}_{t-1}}$	$\frac{\Delta\text{Bond}_t}{\text{TNA}_{t-1}}$	$\frac{\Delta\text{Cash}_t}{\text{TNA}_{t-1}}$	$\frac{\Delta\text{Other Asset}_t}{\text{TNA}_{t-1}}$	$\frac{\Delta\text{Stock}_t}{\text{TNA}_{t-1}}$	$\frac{\Delta\text{Bond}_t}{\text{TNA}_{t-1}}$	$\frac{\Delta\text{Cash}_t}{\text{TNA}_{t-1}}$	$\frac{\Delta\text{Other Asset}_t}{\text{TNA}_{t-1}}$
	A: Active Equity Funds (42)				B: Passive Equity Funds (113)			
$\text{MPS}_t^{\text{China}}$	-6.982**	-0.017**	-2.222***	-0.959	-1.747	-0.003	-0.304	-0.002
	(2.553)	(0.008)	(0.628)	(0.636)	(3.492)	(0.003)	(0.942)	(0.610)
MPS_t^{US}	-2.681***	0.004	0.354	-0.466**	-3.486***	-0.003	-0.593***	-0.415**
	(0.684)	(0.006)	(0.388)	(0.223)	(0.913)	(0.002)	(0.200)	(0.180)
$\Delta \log \text{VIX}_t$	-15.555***	0.018	0.854	-1.864*	1.991	0.021	2.251**	-0.857
	(2.485)	(0.045)	(1.133)	(0.959)	(3.997)	(0.023)	(0.922)	(0.551)
$\Delta \log \text{Price}_t^{\text{Commodity}}$	18.641***	0.220*	0.957	3.034*	-3.636	0.096	-3.383	-2.495**
	(6.774)	(0.123)	(2.950)	(1.690)	(8.987)	(0.097)	(2.042)	(1.243)
Fund return_{t-1}	0.273**	-0.003*	0.124***	-0.045	-0.268*	0.001	-0.024	-0.043*
	(0.123)	(0.001)	(0.034)	(0.060)	(0.136)	(0.001)	(0.028)	(0.023)
Fund flow_{t-1}	-0.843	0.001	-0.333	-0.089	0.562	0.002	-0.643*	-0.132
	(0.729)	(0.001)	(0.207)	(0.175)	(1.178)	(0.002)	(0.342)	(0.111)
	C: Active Mixed Funds (57)				D: Active Bond Funds (8)			
$\text{MPS}_t^{\text{China}}$	-8.850***	0.022	-1.033	-0.413	-0.252	-0.426	-1.746	0.622
	(2.346)	(0.014)	(0.711)	(0.379)	(0.314)	(0.804)	(2.315)	(1.183)
MPS_t^{US}	-5.323***	0.035	-0.524	-0.349**	-0.146	0.334	-1.538	0.158
	(1.204)	(0.047)	(0.447)	(0.171)	(0.112)	(0.874)	(1.235)	(0.518)
$\Delta \log \text{VIX}_t$	-14.566***	-0.036	1.604*	-0.858	-0.498	-6.161**	2.176	-5.495
	(1.842)	(0.035)	(0.954)	(0.632)	(0.450)	(2.427)	(2.364)	(3.563)
$\Delta \log \text{Price}_t^{\text{Commodity}}$	16.891**	-0.095	0.683	-0.892	-0.714	-21.297**	-14.930	-3.325
	(8.144)	(0.127)	(2.730)	(1.236)	(0.941)	(6.296)	(7.935)	(7.578)
Fund return_{t-1}	0.309***	0.001	0.175***	0.022*	0.040	0.296**	0.162	0.315
	(0.112)	(0.002)	(0.039)	(0.011)	(0.026)	(0.104)	(0.102)	(0.219)
Fund flow_{t-1}	-1.037	0.002	-0.274	-0.018	0.027	0.817	-1.370***	0.167
	(1.787)	(0.016)	(0.631)	(0.124)	(0.019)	(0.453)	(0.334)	(0.152)

Conclusions

- We document an incipient international financial transmission channel of Chinese monetary policy through private equity flows.
- On Chinese monetary policy announcement days, both country and individual stock returns fall in response to tightening surprises, especially assets and markets more exposed to QDII funds holdings.
- QDII equity funds experience outflows during quarters in which Chinese monetary policy contracts. Funds must sell stocks.
- This nascent transmission channel of Chinese monetary policy is driven by households rather than intermediaries.

Thank you!

Summary Statistics

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	Obs (1)	Mean (2)	S.D. (3)	P25 (4)	P50 (5)	P75 (6)
Panel A: Macro variables						
$\text{MPS}_t^{\text{China}}$	63	-0.02	0.12	-0.06	-0.01	0.03
MPS_t^{US}	63	0.00	0.03	-0.01	0.00	0.00
$\Delta \log \text{VIX}_t$	63	-0.57%	8.77%	-5.58%	0.00%	4.36%
$\Delta \log \text{Price}_t^{\text{Commodity}}$	63	-0.22%	0.98%	-0.94%	-0.16%	0.23%
Panel B: Country-level variables						
MSCI Return (USD,%)	3091	-0.09	2.03	-0.76	0.03	0.84
MSCI Return (LC,%)	3040	-0.03	2.29	-0.84	0.09	1.04
Exchange Rate Return(%)	3040	-0.05	0.64	-0.35	0.00	0.17
QDII Holding Value ($w_{c,t}$)	3091	0.01	0.03	0.00	0.00	0.00
Industrial Production (log, y-o-y)	3091	0.00	0.07	-0.01	0.00	0.01
Chinese Industrial Production (y-o-y)	3091	-0.27	1.14	-0.78	-0.18	0.54
Trade with China (%)	3091	9.33	7.36	4.41	6.86	12.67
Panel C: Firm-level variables						
$1_{i,t}^{\text{China}}$	301060	0.13	0.34	0.00	0.00	0.00
Size	297826	13.18	2.14	11.64	13.08	14.64
β^{US}	301060	0.97	0.62	0.59	0.97	1.34
β^{China}	301059	0.13	0.34	-0.03	0.09	0.25
Turnover	300710	12.63	192.73	2.48	5.71	10.92
Past one-month return	301060	20.98	0.72	20.94	21.01	21.08
Foreign sales ratio	290589	0.04	0.14	0.00	0.00	0.00
Illiquidity	300097	5.42	150.30	0.00	0.01	0.12
Panel D: QDII-held US stocks information						
QDII holding shares (%)	39463	0.09	0.77	0.00	0.00	0.01
QDII holding value (%)	39485	0.09	0.71	0.00	0.00	0.01
Panel E: Fund-level variables						
Fund flow	4691	0.063	0.461	-0.096	-0.026	0.049
Fund return	4685	0.011	0.101	-0.041	0.015	0.068
1_{Active}	5071	0.612	0.487	0.000	1.000	1.000
$1_{\text{Equity fund}}$	5071	0.947	0.223	1.000	1.000	1.000
Δ Stock %	5071	74.632	28.690	76.388	86.534	91.268
Δ Bond%	5071	3.334	15.996	0.000	0.000	0.000
Δ Cash%	5071	11.704	8.927	6.682	9.167	13.937
Δ Others%	5071	9.951	22.537	0.467	1.554	5.165

Summary Statistics: QDII holdings (As a Share of Capitalization in %)

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	Panel A: Non-zero QDII holdings						Panel B: Zero QDII holdings					
	Obs (1)	Mean (2)	S.D. (3)	P25 (4)	P50 (5)	P75 (6)		Obs (1)	Mean (2)	S.D. (3)	P25 (4)	P50 (5)	P75 (6)
HKG	63	20.88	12.61	11.59	16.49	23.54	ARE	63	0.00	0.00	0.00	0.00	0.00
IDN	63	3.72	4.07	0.53	1.61	6.04	ARG	63	0.00	0.00	0.00	0.00	0.00
VNM	63	3.39	9.44	0.00	0.00	0.00	BGD	55	0.00	0.00	0.00	0.00	0.00
THA	63	3.29	3.43	0.65	2.47	4.95	BGR	63	0.00	0.00	0.00	0.00	0.00
KOR	63	2.35	1.76	0.63	2.39	3.79	BHR	63	0.00	0.00	0.00	0.00	0.00
SGP	63	2.15	2.19	0.24	1.48	3.18	COL	63	0.00	0.00	0.00	0.00	0.00
AUS	63	1.41	1.66	0.06	0.29	2.85	DNK	63	0.00	0.00	0.00	0.00	0.00
IND	63	0.90	0.75	0.17	0.89	1.43	EGY	63	0.00	0.00	0.00	0.00	0.00
MYS	63	0.78	0.96	0.00	0.29	1.53	EST	63	0.00	0.00	0.00	0.00	0.00
USA	63	0.73	0.56	0.35	0.54	0.86	FIN	63	0.00	0.00	0.00	0.00	0.00
GBR	63	0.40	0.36	0.08	0.44	0.61	HRV	63	0.00	0.00	0.00	0.00	0.00
NZL	63	0.36	0.28	0.10	0.34	0.53	HUN	63	0.00	0.00	0.00	0.00	0.00
DEU	63	0.23	0.24	0.06	0.08	0.42	JOR	63	0.00	0.00	0.00	0.00	0.00
PHL	63	0.11	0.26	0.00	0.00	0.01	KAZ	63	0.00	0.00	0.00	0.00	0.00
CHE	63	0.08	0.07	0.04	0.06	0.08	KEN	63	0.00	0.00	0.00	0.00	0.00
CAN	63	0.08	0.06	0.04	0.05	0.13	KWT	63	0.00	0.00	0.00	0.00	0.00
JPN	63	0.07	0.05	0.02	0.07	0.12	LBN	63	0.00	0.00	0.00	0.00	0.00
FRA	63	0.06	0.05	0.02	0.05	0.10	LKA	63	0.00	0.00	0.00	0.00	0.00
NOR	63	0.05	0.05	0.02	0.03	0.07	LTU	60	0.00	0.00	0.00	0.00	0.00
BRA	63	0.02	0.02	0.00	0.01	0.02	MAR	63	0.00	0.00	0.00	0.00	0.00
ZAF	63	0.02	0.02	0.00	0.01	0.03	MUS	63	0.00	0.00	0.00	0.00	0.00
PRT	63	0.01	0.03	0.00	0.00	0.00	NGA	63	0.00	0.00	0.00	0.00	0.00
BEL	63	0.01	0.01	0.00	0.00	0.01	NLD	63	0.00	0.00	0.00	0.00	0.00
MEX	63	0.01	0.01	0.00	0.01	0.01	OMN	63	0.00	0.00	0.00	0.00	0.00
ESP	63	0.01	0.01	0.00	0.01	0.01	PAK	63	0.00	0.00	0.00	0.00	0.00
ITA	63	0.01	0.01	0.00	0.00	0.01	PER	63	0.00	0.00	0.00	0.00	0.00
AUT	63	0.01	0.02	0.00	0.00	0.00	QAT	63	0.00	0.00	0.00	0.00	0.00
POL	63	0.01	0.01	0.00	0.00	0.02	ROU	63	0.00	0.00	0.00	0.00	0.00
TUR	63	0.00	0.01	0.00	0.00	0.01	SRB	60	0.00	0.00	0.00	0.00	0.00
ISR	63	0.00	0.01	0.00	0.00	0.00	SVN	63	0.00	0.00	0.00	0.00	0.00
IRL	63	0.00	0.00	0.00	0.00	0.00	SWE	63	0.00	0.00	0.00	0.00	0.00
GRC	63	0.00	0.00	0.00	0.00	0.00	TUN	63	0.00	0.00	0.00	0.00	0.00
CHL	63	0.00	0.00	0.00	0.00	0.00	TWN	63	0.00	0.00	0.00	0.00	0.00
CZE	63	0.00	0.00	0.00	0.00	0.00	UKR	63	0.00	0.00	0.00	0.00	0.00
RUS	59	0.00	0.00	0.00	0.00	0.00							

Chinese Monetary Policy Shocks

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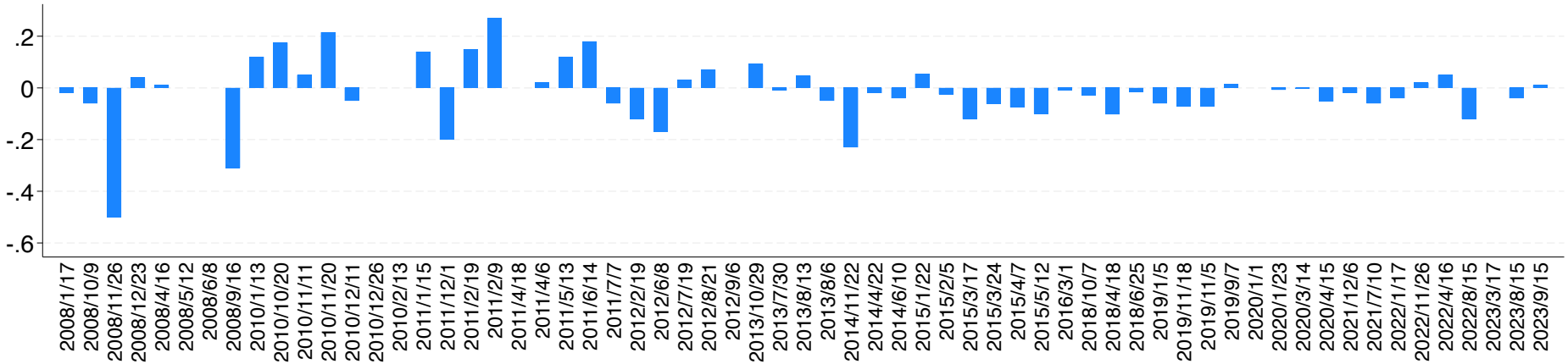
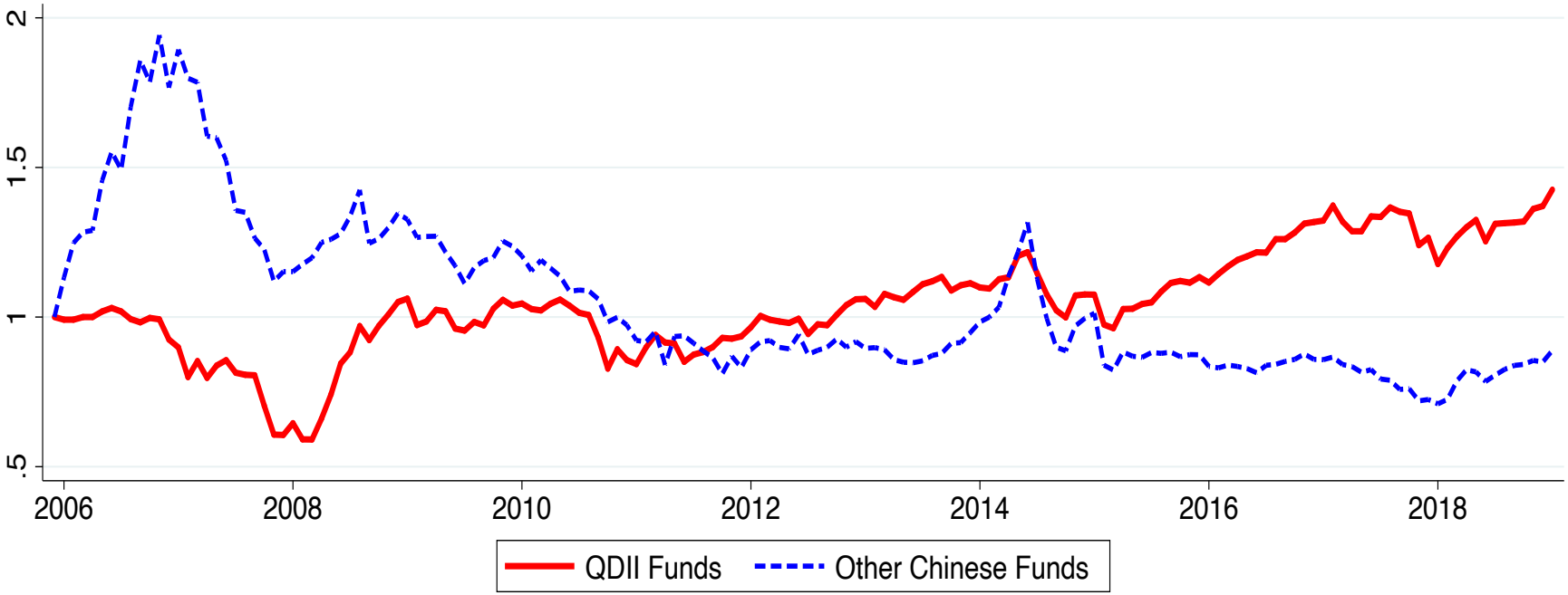


NOTE. This figure plots Chinese monetary policy shocks, identified as the daily changes in 1-year interest rate swap rates (based on the interbank 7-day repo rate), across the 63 announcement days used in our paper.

Figure: Chinese Monetary Policy Shocks Across 63 Announcement Days

QDII funds and other funds performance



NOTE: This figure plots the monthly average net asset value (NAV) for QDII funds and other Chinese funds respectively, along with the SSE composite index and S&P 500 (next slide). All time series are normalized to 1 at Nov 2006. Data source: CSMAR and WIND.

QDII funds and stock return performance

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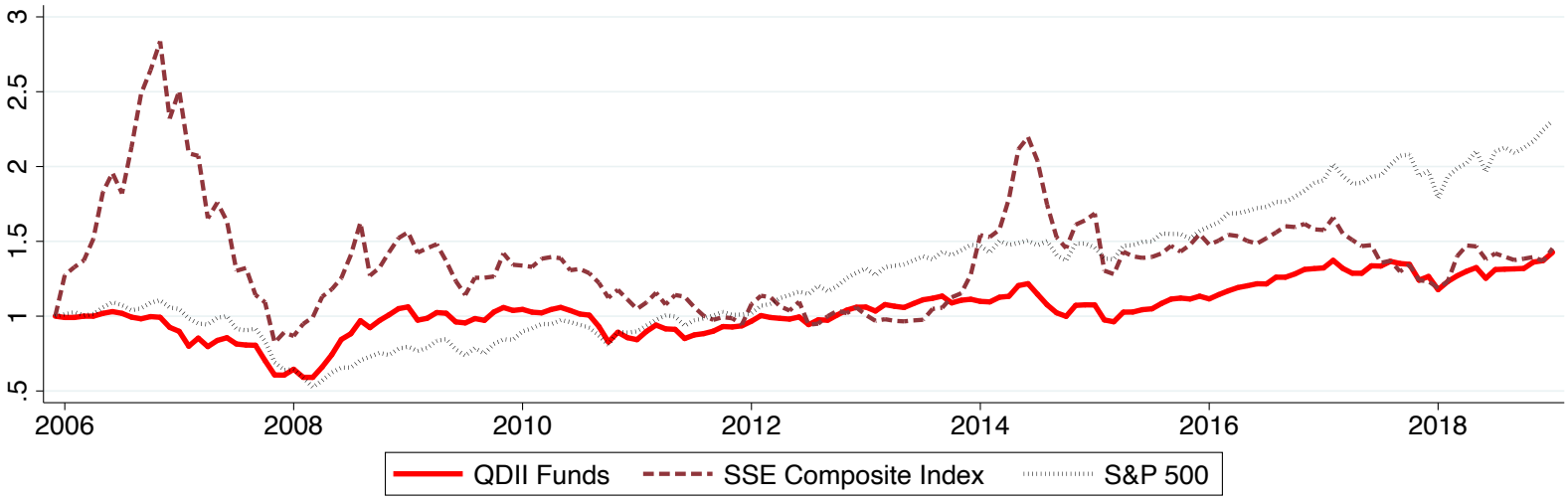

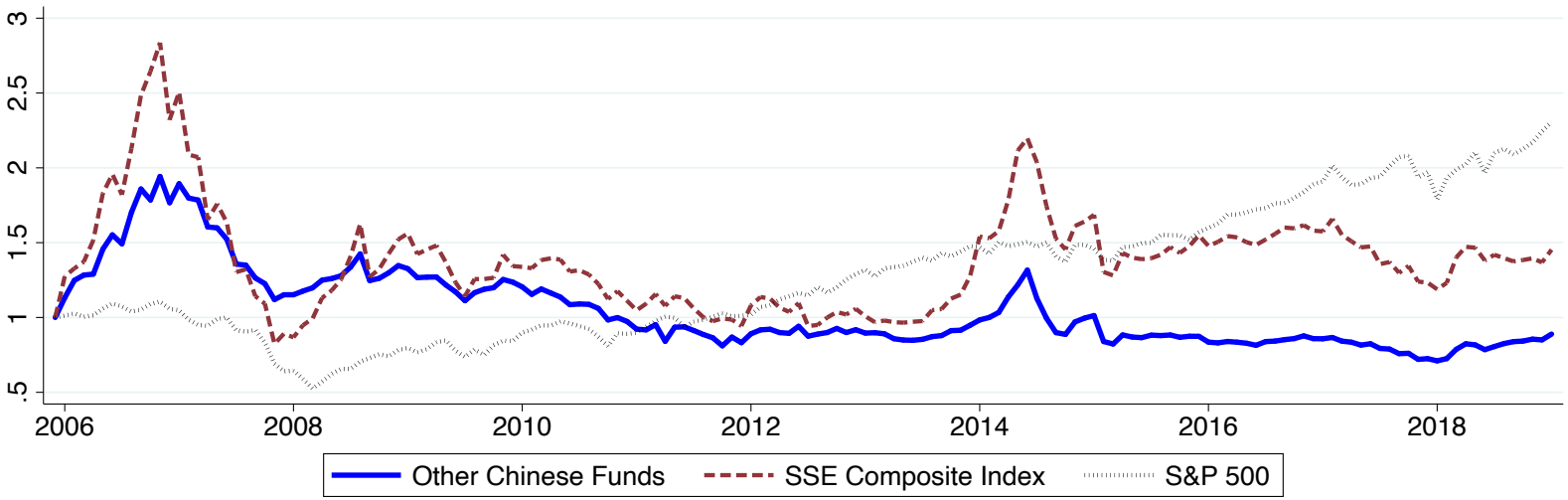

Correlation

Back

	1	2	3	4	5	6	7
1. $\text{MPS}_t^{\text{China}}$	1.00						
2. MPS_t^{US}	0.04	1.00					
	(0.78)						
3. $\text{MPS}_{t+1}^{\text{US}}$	0.24	-0.08	1.00				
	(0.06)	(0.54)					
4. $\Delta \log \text{VIX}_t$	-0.08	-0.04	0.22	1.00			
	(0.53)	(0.74)	(0.09)				
5. $\Delta \log \text{Price}_t^{\text{Commodity}}$	-0.18	0.09	-0.18	-0.35	1.00		
	(0.17)	(0.47)	(0.16)	(0.01)			
6. $\Delta \log \text{Price}_{t+1}^{\text{Commodity}}$	0.01	0.04	-0.12	-0.19	0.68	1.00	
	(0.93)	(0.73)	(0.35)	(0.13)	(0.00)		
7. $\Delta \log \text{Price}_t^{\text{CSI}}$	0.11	-0.20	-0.07	0.07	-0.33	-0.39	1.00
	(0.37)	(0.11)	(0.56)	(0.58)	(0.01)	(0.00)	

Control for future US monetary policy

Back

	(1) [-1, -1]	(2) [-1, 0]	(3) [-1, 1]	(4) [-1, 2]	(5) [-1, 3]	(6) [-1, 4]	(7) [-1, 5]
$1_{i,t-1}^{\text{China}} \times \text{MPS}_t^{\text{China}}$	-0.000	-0.000	-0.006***	-0.002	-0.005***	-0.004**	-0.006***
	(0.001)	(0.001)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
$1_{i,t-1}^{\text{China}} \times \text{MPS}_t^{\text{US}}$	0.000	0.003***	0.003**	0.002	0.001	-0.003*	-0.002
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)
$1_{i,t-1}^{\text{China}} \times \text{MPS}_{t+1}^{\text{US}}$	-0.005***	-0.003*	-0.000	-0.005***	-0.005**	-0.004*	-0.006**
	(0.001)	(0.001)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
$1_{i,t-1}^{\text{China}} \times \Delta \log \text{VIX}_t$	0.003	-0.003	0.010	0.004	-0.001	0.022**	0.029**
	(0.005)	(0.007)	(0.008)	(0.009)	(0.010)	(0.011)	(0.011)
$1_{i,t-1}^{\text{China}} \times \Delta \log \text{Price}_t^{\text{Commodity}}$	-0.076	-0.076	0.012	-0.017	-0.053	0.029	0.083
	(0.061)	(0.074)	(0.088)	(0.104)	(0.113)	(0.122)	(0.132)
$1_{i,t-1}^{\text{China}}$	-0.010***	-0.011***	-0.015***	-0.009	0.001	0.001	-0.002
	(0.003)	(0.004)	(0.005)	(0.006)	(0.006)	(0.007)	(0.007)
Size	-0.010***	-0.014***	-0.025***	-0.033***	-0.037***	-0.041***	-0.036***
	(0.001)	(0.002)	(0.002)	(0.003)	(0.003)	(0.003)	(0.004)
β^{US}	0.003	-0.001	-0.004	-0.007*	-0.003	-0.006	0.000
	(0.002)	(0.003)	(0.004)	(0.004)	(0.004)	(0.005)	(0.005)
Turnover	0.000	-0.000	-0.000	-0.000	0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Past One-day Return	0.005**	0.013***	0.018***	0.023***	0.026***	0.029***	0.034***
	(0.002)	(0.004)	(0.005)	(0.006)	(0.006)	(0.006)	(0.007)
Constant	0.030	-0.059	-0.007	-0.009	-0.017	-0.020	-0.168
	(0.052)	(0.089)	(0.109)	(0.132)	(0.133)	(0.141)	(0.160)
Number of Events				63			
Fixed Effects				Firm, Industry×Event			
Observations	297025	297025	297025	297025	297025	297025	297025
Adjusted R^2	0.685	0.671	0.680	0.656	0.664	0.655	0.657

Control for future commodity price changes

Back

	(1) [-1, -1]	(2) [-1, 0]	(3) [-1, 1]	(4) [-1, 2]	(5) [-1, 3]	(6) [-1, 4]	(7) [-1, 5]
$1_{i,t-1}^{\text{China}} \times \text{MPS}_t^{\text{China}}$	-0.001	-0.001	-0.006***	-0.003**	-0.006***	-0.005**	-0.007***
	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)	(0.002)	(0.002)
$1_{i,t-1}^{\text{China}} \times \text{MPS}_t^{\text{US}}$	-0.000	0.002**	0.003**	0.001	0.000	-0.004**	-0.004*
	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)	(0.002)
$1_{i,t-1}^{\text{China}} \times \Delta \log \text{Price}_{t+1}^{\text{Commodity}}$	-0.009	0.105	0.049	-0.010	0.080	0.136	0.289*
	(0.070)	(0.086)	(0.101)	(0.125)	(0.132)	(0.141)	(0.156)
$1_{i,t-1}^{\text{China}} \times \Delta \log \text{VIX}_t$	-0.003	-0.008	0.009	-0.002	-0.008	0.014	0.016
	(0.005)	(0.006)	(0.007)	(0.008)	(0.009)	(0.010)	(0.010)
$1_{i,t-1}^{\text{China}} \times \Delta \log \text{Price}_t^{\text{Commodity}}$	-0.113**	-0.220***	-0.044	-0.057	-0.191	-0.161	-0.301*
	(0.054)	(0.077)	(0.099)	(0.123)	(0.131)	(0.143)	(0.155)
$1_{i,t-1}^{\text{China}}$	-0.010***	-0.011***	-0.015***	-0.009*	0.001	0.001	-0.003
	(0.003)	(0.004)	(0.005)	(0.006)	(0.006)	(0.007)	(0.007)
Size	-0.010***	-0.014***	-0.025***	-0.033***	-0.037***	-0.041***	-0.036***
	(0.001)	(0.002)	(0.002)	(0.003)	(0.003)	(0.003)	(0.004)
β^{US}	0.003	-0.001	-0.004	-0.007*	-0.003	-0.006	0.000
	(0.002)	(0.003)	(0.004)	(0.004)	(0.004)	(0.005)	(0.005)
Turnover	0.000	-0.000	-0.000	-0.000	0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Past One-day Return	0.005**	0.013***	0.018***	0.023***	0.026***	0.029***	0.034***
	(0.002)	(0.004)	(0.005)	(0.006)	(0.006)	(0.006)	(0.007)
Constant	0.030	-0.059	-0.007	-0.009	-0.017	-0.020	-0.168
	(0.052)	(0.089)	(0.109)	(0.132)	(0.133)	(0.141)	(0.160)
Number of Events				63			
Fixed Effects				Firm, Industry×Event			
Observations	297025	297025	297025	297025	297025	297025	297025
Adjusted R^2	0.685	0.671	0.680	0.656	0.664	0.655	0.657

Subsample Analysis

Back

	(1) [-1, -1]	(2) [-1, 0]	(3) [-1, 1]	(4) [-1, 2]	(5) [-1, 3]	(6) [-1, 4]	(7) [-1, 5]
Panel A: Before 2015							
$1_{i,t-1}^{\text{China}} \times \text{MPS}_t^{\text{China}}$	-0.001*	0.000	-0.005***	-0.003*	-0.005***	-0.004***	-0.007***
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)
Panel B: After 2015							
$1_{i,t-1}^{\text{China}} \times \text{MPS}_t^{\text{China}}$	-0.000	-0.003	-0.005**	-0.002	-0.010***	-0.006*	-0.007**
	(0.001)	(0.002)	(0.002)	(0.003)	(0.003)	(0.003)	(0.003)

Alternative Chinese Monetary Policy Shocks

Back

Sample Period 2008-2019Q2	(1)	(2)
Measure of Chinese Monetary Policy Shocks	Daily Change in Interest Rate Swap Rate	Shocks to M2 Growth Rate
$1_{i,t-1}^{\text{China}} \times \text{MPS}_t^{\text{China}}$	-0.005***	0.178***
	(0.001)	(0.065)
Fixed Effect	Firm, Industry $\times$ Time	
Observations	230001	92659
Adjusted R^2	0.720	0.112

Non-Randomness of QDII Fund Holdings

Back

	(1) [-1, -1]	(2) [-1, 0]	(3) [-1, 1]	(4) [-1, 2]	(5) [-1, 3]	(6) [-1, 4]	(7) [-1, 5]
$1^{\text{China}}_{i,t-1} \times \text{MPS}^{\text{China}}_t$	-0.000	0.000	-0.005***	-0.003*	-0.006***	-0.004*	-0.003
	(0.001)	(0.001)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
$1^{\text{China}}_{i,t-1} \times \text{MPS}^{\text{US}}_t$	-0.000	0.002**	0.002**	0.000	-0.000	-0.004**	-0.003**
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)
$1^{\text{China}}_{i,t-1} \times \Delta \log \text{VIX}_t$	-0.003	-0.006	0.008	-0.005	-0.009	0.015	0.021*
	(0.006)	(0.007)	(0.008)	(0.010)	(0.010)	(0.011)	(0.012)
$1^{\text{China}}_{i,t-1} \times \Delta \log \text{Price}^{\text{Commodity}}_t$	-0.127*	-0.097	0.026	-0.040	-0.079	0.014	0.031
	(0.066)	(0.079)	(0.092)	(0.109)	(0.118)	(0.127)	(0.135)
$1^{\text{China}}_{i,t-1}$	-0.016***	-0.018***	-0.028***	-0.026***	-0.019***	-0.021***	-0.022***
	(0.003)	(0.004)	(0.005)	(0.006)	(0.006)	(0.007)	(0.007)
$\text{Size}_{i,t-1} \times \text{MPS}^{\text{China}}_t$	-0.000**	-0.000	-0.000	0.000	0.000	-0.000	-0.001***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
$\beta^{US}_{i,t-1} \times \text{MPS}^{\text{China}}_t$	0.000	-0.000	-0.001	-0.008***	-0.005***	-0.001	0.000
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
$\text{Turnover}_{i,t-1} \times \text{MPS}^{\text{China}}_t$	-0.000*	0.000	-0.000	-0.000	-0.000	-0.000	-0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Past One-day $\text{Return}_{i,t-1} \times \text{MPS}^{\text{China}}_t$	0.004**	0.002	0.005	-0.001	0.004	0.006	0.006
	(0.002)	(0.006)	(0.006)	(0.005)	(0.006)	(0.006)	(0.008)
Constant	0.016***	0.020***	0.030***	0.032***	0.037***	0.043***	0.067***
	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)
Number of Events				63			
Fixed Effects				Firm, Industry×Event			
Observations	297025	297025	297025	297025	297025	297025	297025
Adjusted R^2	0.684	0.670	0.678	0.653	0.660	0.651	0.654

Control for Index Member Stocks

Back

	(1) [-1, -1]	(2) [-1, 0]	(3) [-1, 1]	(4) [-1, 2]	(5) [-1, 3]	(6) [-1, 4]	(7) [-1, 5]
$1_{i,t-1}^{\text{China}} \times \text{MPS}_t^{\text{China}}$	-0.000	0.000	-0.006***	-0.004*	-0.006***	-0.005**	-0.004*
	(0.001)	(0.001)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
$1_{i,t-1}^{\text{China}} \times \text{MPS}_t^{\text{US}}$	-0.000	0.002**	0.002**	0.000	-0.000	-0.004**	-0.004**
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)
$1_{i,t-1}^{\text{China}} \times \Delta \log \text{VIX}_t$	-0.003	-0.007	0.008	-0.005	-0.009	0.015	0.020*
	(0.006)	(0.007)	(0.008)	(0.010)	(0.010)	(0.011)	(0.012)
$1_{i,t-1}^{\text{China}} \times \Delta \log \text{Price}_t^{\text{Commodity}}$	-0.126*	-0.097	0.028	-0.039	-0.078	0.019	0.035
	(0.067)	(0.079)	(0.092)	(0.109)	(0.118)	(0.127)	(0.135)
$1_{i,t-1}^{\text{China}}$	-0.015***	-0.018***	-0.028***	-0.026***	-0.018***	-0.020***	-0.021***
	(0.003)	(0.004)	(0.005)	(0.006)	(0.006)	(0.007)	(0.007)
$\text{Size}_{i,t-1} \times \text{MPS}_t^{\text{China}}$	-0.000**	-0.000	-0.000	0.000	0.000	-0.001	-0.001***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
$\beta_{i,t-1}^{US} \times \text{MPS}_t^{\text{China}}$	0.000	-0.000	-0.001	-0.008***	-0.005***	-0.001	0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
$\text{Turnover}_{i,t-1} \times \text{MPS}_t^{\text{China}}$	-0.000*	0.000	-0.000	-0.000	-0.000	-0.000	-0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Past One-day $\text{Return}_{i,t-1} \times \text{MPS}_t^{\text{China}}$	0.004**	0.002	0.005	-0.001	0.004	0.006	0.006
	(0.002)	(0.006)	(0.006)	(0.005)	(0.006)	(0.006)	(0.008)
$1_{i,t-1}^{\text{S\&P500}} \times \text{MPS}_t^{\text{China}}$	0.001	0.000	0.002	0.001	0.001	0.003*	0.003*
	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)	(0.002)	(0.002)
Constant	0.016***	0.020***	0.030***	0.032***	0.037***	0.043***	0.067***
	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)
Number of Events				63			
Fixed Effects				Firm, Industry × Event			
Observations	297025	297025	297025	297025	297025	297025	297025
Adjusted R^2	0.684	0.670	0.678	0.653	0.660	0.651	0.654

Dropping China Concept Stocks

Back

	(1) [-1, -1]	(2) [-1, 0]	(3) [-1, 1]	(4) [-1, 2]	(5) [-1, 3]	(6) [-1, 4]	(7) [-1, 5]
$1_{i,t-1}^{\text{China}} \times \text{MPS}_t^{\text{China}}$	-0.001	-0.001	-0.006***	-0.004**	-0.006***	-0.005***	-0.007***
	(0.001)	(0.001)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
$1_{i,t-1}^{\text{China}} \times \text{MPS}_t^{\text{US}}$	-0.001	0.002**	0.002**	0.001	-0.000	-0.004**	-0.004**
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)
$1_{i,t-1}^{\text{China}} \times \Delta \log \text{VIX}_t$	-0.002	-0.004	0.007	-0.005	-0.009	0.015	0.022*
	(0.006)	(0.007)	(0.008)	(0.010)	(0.010)	(0.011)	(0.012)
$1_{i,t-1}^{\text{China}} \times \Delta \log \text{Price}_t^{\text{Commodity}}$	-0.143**	-0.106	-0.018	-0.085	-0.130	-0.010	0.048
	(0.067)	(0.079)	(0.093)	(0.109)	(0.118)	(0.127)	(0.136)
$1_{i,t-1}^{\text{China}}$	-0.011***	-0.012***	-0.016***	-0.010*	-0.000	0.001	-0.003
	(0.003)	(0.004)	(0.005)	(0.006)	(0.006)	(0.007)	(0.007)
Size	-0.010***	-0.014***	-0.026***	-0.034***	-0.038***	-0.041***	-0.037***
	(0.001)	(0.002)	(0.002)	(0.003)	(0.003)	(0.003)	(0.004)
β^{US}	0.002	-0.002	-0.005	-0.007*	-0.004	-0.006	0.001
	(0.002)	(0.003)	(0.004)	(0.004)	(0.004)	(0.005)	(0.005)
Turnover	0.000	-0.000	-0.000	-0.000	0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Past One-month Return	0.005**	0.011***	0.017***	0.023***	0.025***	0.028***	0.033***
	(0.002)	(0.004)	(0.005)	(0.006)	(0.006)	(0.006)	(0.007)
Constant	0.046	-0.031	0.005	0.000	0.001	-0.006	-0.143
	(0.052)	(0.087)	(0.113)	(0.135)	(0.136)	(0.145)	(0.162)
Number of Events				63			
Fixed Effects				Firm, Industry×Time			
Observations	292353	292353	292353	292353	292353	292353	292353
Adjusted R^2	0.689	0.675	0.683	0.659	0.666	0.657	0.659

Controlling for sales to China

Back

	(1) [-1, -1]	(2) [-1, 0]	(3) [-1, 1]	(4) [-1, 2]	(5) [-1, 3]	(6) [-1, 4]	(7) [-1, 5]
$1^{\text{China}}_{i,t-1} \times \text{MPS}^{\text{China}}_t$	-0.000	0.000	-0.005***	-0.003*	-0.006***	-0.004*	-0.003
	(0.001)	(0.001)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
$1^{\text{China}}_{i,t-1} \times \text{MPS}^{\text{US}}_t$	-0.000	0.002**	0.002**	0.000	-0.000	-0.004**	-0.003**
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)
$1^{\text{China}}_{i,t-1} \times \Delta \log \text{VIX}_t$	-0.003	-0.006	0.008	-0.005	-0.009	0.015	0.021*
	(0.006)	(0.007)	(0.008)	(0.010)	(0.010)	(0.011)	(0.012)
$1^{\text{China}}_{i,t-1} \times \Delta \log \text{Price}^{\text{Commodity}}_t$	-0.126*	-0.097	0.026	-0.040	-0.079	0.015	0.031
	(0.066)	(0.079)	(0.092)	(0.109)	(0.118)	(0.127)	(0.135)
$1^{\text{China}}_{i,t-1}$	-0.016***	-0.018***	-0.028***	-0.026***	-0.019***	-0.021***	-0.022***
	(0.003)	(0.004)	(0.005)	(0.006)	(0.006)	(0.007)	(0.007)
$\text{Size}_{i,t-1} \times \text{MPS}^{\text{China}}_t$	-0.000**	-0.000	-0.000	0.000	0.000	-0.000	-0.001***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
$\beta^{US}_{i,t-1} \times \text{MPS}^{\text{China}}_t$	0.000	-0.000	-0.001	-0.008***	-0.005***	-0.001	0.000
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
$\text{Turnover}_{i,t-1} \times \text{MPS}^{\text{China}}_t$	-0.000*	0.000	-0.000	-0.000	-0.000	-0.000	-0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Past one-day $\text{return}_{i,t-1} \times \text{MPS}^{\text{China}}_t$	0.004**	0.002	0.005	-0.001	0.004	0.006	0.006
	(0.002)	(0.006)	(0.006)	(0.005)	(0.006)	(0.006)	(0.008)
$1^{\text{Sales to China}}_{i,t-1} \times \text{MPS}^{\text{China}}_t$	-0.020***	-0.011	-0.012	-0.002	0.008	-0.001	0.007
	(0.007)	(0.010)	(0.012)	(0.013)	(0.014)	(0.016)	(0.017)
Constant	0.016***	0.020***	0.030***	0.032***	0.037***	0.043***	0.067***
	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)
Number of Events				63			
Fixed Effects				Firm, Industry*Event			
Observations	297025	297025	297025	297025	297025	297025	297025
Adjusted R^2	0.684	0.670	0.678	0.653	0.660	0.651	0.654

Control for Outward Direct Investment from China

Back

	MSCI Return (USD)			MSCI Return (LC)			Exchange Rate Change		
	All Sample (1)	AE (2)	EME (3)	All Sample (4)	AE (5)	EME (6)	All Sample (7)	AE (8)	EME (9)
$w_{c,t-1} * \text{MPS}_t^{\text{China}}$	-0.105***	-0.154**	-0.073**	-0.115***	-0.173**	-0.085**	0.593	1.019	0.899
	(0.028)	(0.061)	(0.036)	(0.034)	(0.084)	(0.040)	(0.936)	(2.857)	(0.836)
$w_{c,t-1} * \text{MPS}_t^{\text{US}}$	0.007	-0.008	0.014	0.011	0.005	0.014	-0.513	-1.010	-0.510
	(0.009)	(0.016)	(0.017)	(0.011)	(0.021)	(0.018)	(0.363)	(0.799)	(0.517)
$w_{c,t-1} * \Delta \log \text{VIX}_t$	-0.027	0.360	-0.013	-0.000	0.060	-0.034	-4.601	20.717	-0.300
	(0.200)	(0.449)	(0.205)	(0.203)	(0.584)	(0.223)	(2.968)	(21.943)	(3.697)
$w_{c,t-1} * \Delta \log \text{Price}_t^{\text{Commodity}}$	-3.621*	0.830	-3.214	-3.135	-1.737	-3.014	-43.692	140.958	33.785
	(2.015)	(3.859)	(2.497)	(2.143)	(5.061)	(2.687)	(49.644)	(183.441)	(55.137)
$w_{c,t-1}$	-0.014	0.057	-0.017	-0.019	0.021	-0.022	0.438	2.780	0.573
	(0.019)	(0.045)	(0.022)	(0.021)	(0.058)	(0.024)	(0.352)	(1.938)	(0.398)
$\text{ODI}_{c,t} * \text{MPS}_t^{\text{China}}$	0.027***	0.042*	-0.266**	0.031**	0.049	-0.231	-0.189	-0.360	1.232
	(0.010)	(0.022)	(0.127)	(0.012)	(0.030)	(0.149)	(0.346)	(1.044)	(4.569)
$\text{ODI}_{c,t} * \text{MPS}_t^{\text{US}}$	-0.001	0.005	-0.064	-0.003	-0.001	-0.002	0.257	0.416	-0.032
	(0.006)	(0.008)	(0.172)	(0.007)	(0.011)	(0.172)	(0.189)	(0.372)	(3.726)
$\text{ODI}_{c,t} * \Delta \log \text{VIX}_t$	-0.045	-0.139	-1.064	-0.060	-0.060	0.202	2.610	-5.540	-114.465*
	(0.115)	(0.179)	(1.974)	(0.124)	(0.224)	(2.200)	(2.186)	(7.863)	(64.227)
$\text{ODI}_{c,t-1} * \Delta \log \text{Price}_t^{\text{Commodity}}$	1.436	0.060	-17.726	0.873	0.404	-8.032	61.370***	8.285	-1358.571**
	(0.903)	(1.441)	(16.333)	(0.960)	(1.893)	(20.786)	(22.465)	(65.664)	(655.675)
$\text{ODI}_{c,t-1}$	0.016	0.036	-0.090	0.009	0.039	-0.015	0.583	0.201	-5.080
	(0.028)	(0.036)	(0.208)	(0.031)	(0.040)	(0.235)	(0.729)	(1.059)	(5.882)
Industry Production	0.003	-0.001	0.003	0.002	-0.003	0.002	0.095	0.181*	0.254
	(0.004)	(0.004)	(0.008)	(0.004)	(0.004)	(0.008)	(0.086)	(0.096)	(0.203)
Trade with China	0.000	0.000	0.000	-0.000	-0.000	-0.000	0.002	0.014	-0.001
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.005)	(0.009)	(0.005)
Lagged Dep. Variable	-0.143***	-0.278***	-0.067	-0.122**	-0.254***	-0.043	-23.423***	-15.760**	-25.973**
	(0.039)	(0.055)	(0.054)	(0.049)	(0.053)	(0.069)	(7.775)	(6.844)	(10.384)
Fixed Effects					Country, Event				
Number of Events					63				
Number of Countries	55	25	30	55	25	30	55	25	30
Observations	3091	1470	1618	3040	1446	1590	3040	1446	1590
Adjusted R^2	0.375	0.514	0.325	0.380	0.518	0.342	0.284	0.546	0.206

Retail and Institutional Fund Flows

Back

	Active Equity Funds (42)		Passive Equity Funds (113)		Active Hybrid Funds (57)		Active Bond Funds (8)	
	Retail (1)	Institutional (2)	Retail (3)	Institutional (4)	Retail (5)	Institutional (6)	Retail (7)	Institutional (8)
MPS_t^{China}	-0.066***	-0.029***	-0.006	-0.011	-0.062***	-0.034***	0.020	-0.012
	(0.024)	(0.009)	(0.029)	(0.013)	(0.020)	(0.010)	(0.043)	(0.025)
MPS_t^{US}	-0.018***	-0.002	-0.018**	-0.004	-0.028***	-0.007*	0.036	0.004
	(0.006)	(0.004)	(0.008)	(0.004)	(0.010)	(0.004)	(0.053)	(0.014)
$\Delta \log VIX_t$	0.014	-0.009	0.104***	0.027**	-0.013	0.003	-0.036	-0.091*
	(0.021)	(0.008)	(0.032)	(0.012)	(0.015)	(0.006)	(0.087)	(0.046)
$\Delta \log Price_t^{Commodity}$	0.134	0.041	-0.133	0.056**	0.105	0.067**	-0.565*	-0.313**
	(0.083)	(0.029)	(0.092)	(0.024)	(0.066)	(0.030)	(0.261)	(0.115)
Fund $Return_{t-1}$	0.001	0.001**	-0.001	-0.000	0.003***	0.002***	0.007	0.005*
	(0.001)	(0.000)	(0.001)	(0.000)	(0.001)	(0.000)	(0.005)	(0.003)
Fund $Flow_{t-1}$	-0.005	-0.003	-0.007	0.004	-0.025***	-0.004	-0.012	0.008
	(0.004)	(0.003)	(0.007)	(0.006)	(0.007)	(0.011)	(0.017)	(0.006)
Constant	0.011***	0.003***	0.085***	0.021***	0.019***	0.007***	0.077***	0.027***
	(0.002)	(0.001)	(0.003)	(0.001)	(0.001)	(0.001)	(0.014)	(0.003)
Equality of Coefficients on MPS_t^{China}	4.63		0.07		3.33		1.07	
	0.0315		0.7928		0.0679		0.3003	
Observations	1072	1072	1567	1567	1342	1342	197	197
Adjusted R^2	0.056	0.024	0.068	0.169	0.046	0.027	0.023	0.063