Discussion of “Top Government Meetings in China”

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ABFER 2025

Novel Empirical Findings

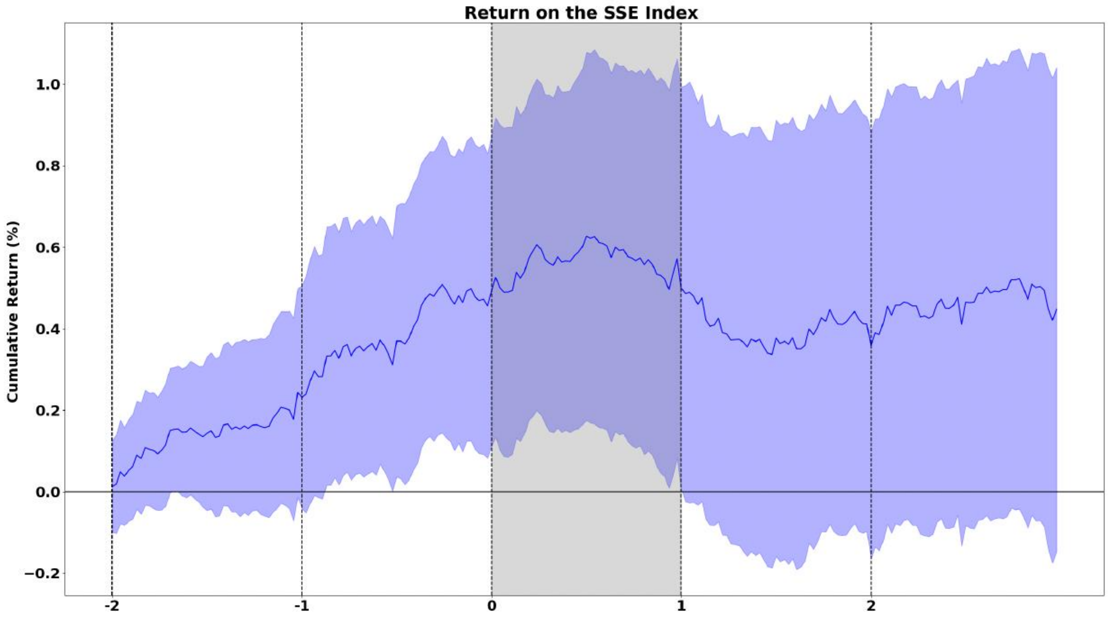
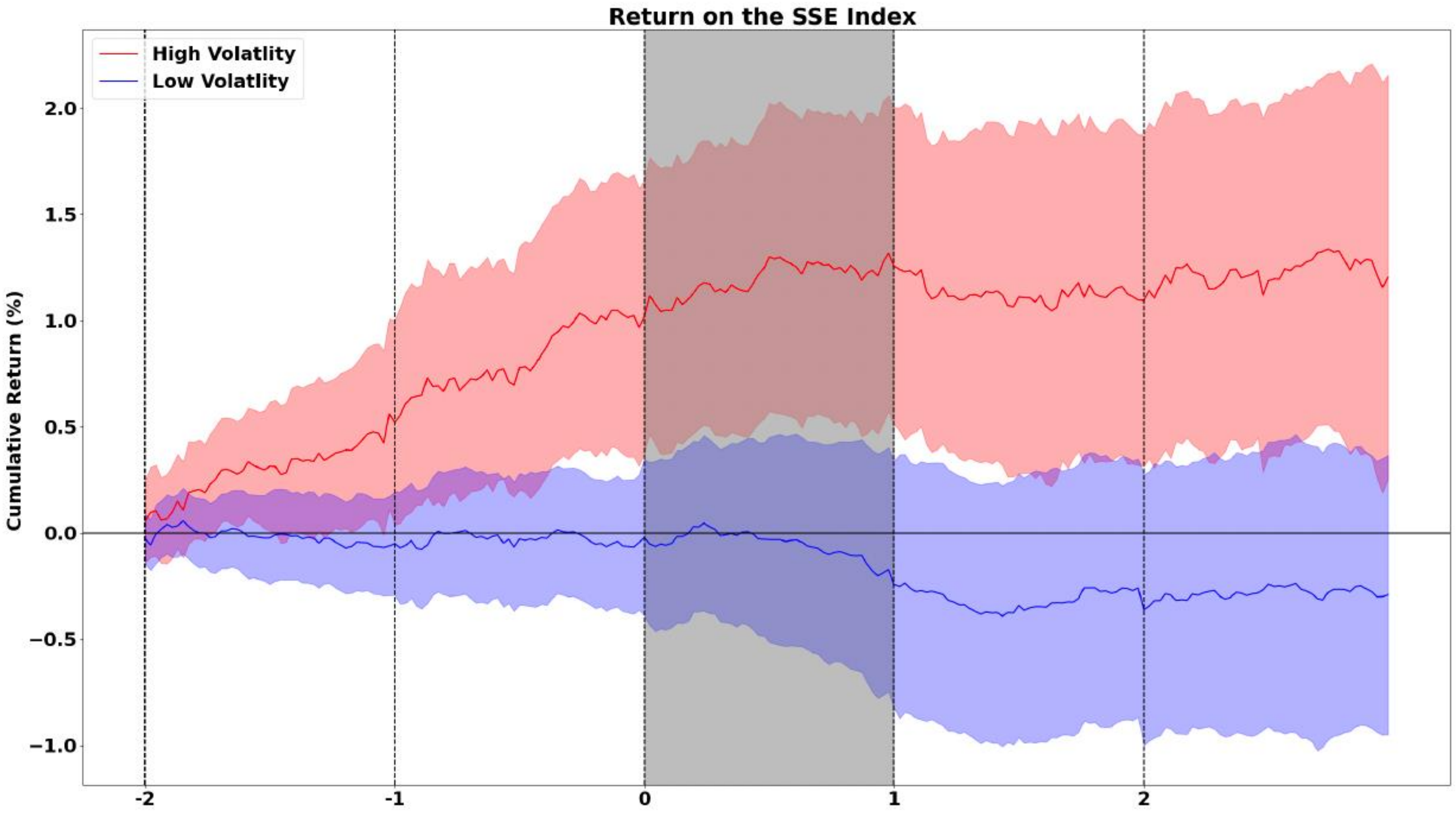


Figure 2: Cumulative Chinese Stock Market Returns around Government Meetings. This figure shows the average cumulative returns over 5-minute blocks on the SSE Composite Index on five-day announcement window. The solid blue line of a plot captures the average cumulative returns across all five-day windows. The Chinese Government meeting announcement day, when the equity market in the trading hours first has access to the announcement, is centered in the middle and shown by the grey-shaded area. The blue shaded areas denote the point-wise 95% confidence bands. The sample period is from January 2009 to December 2022.

In China:

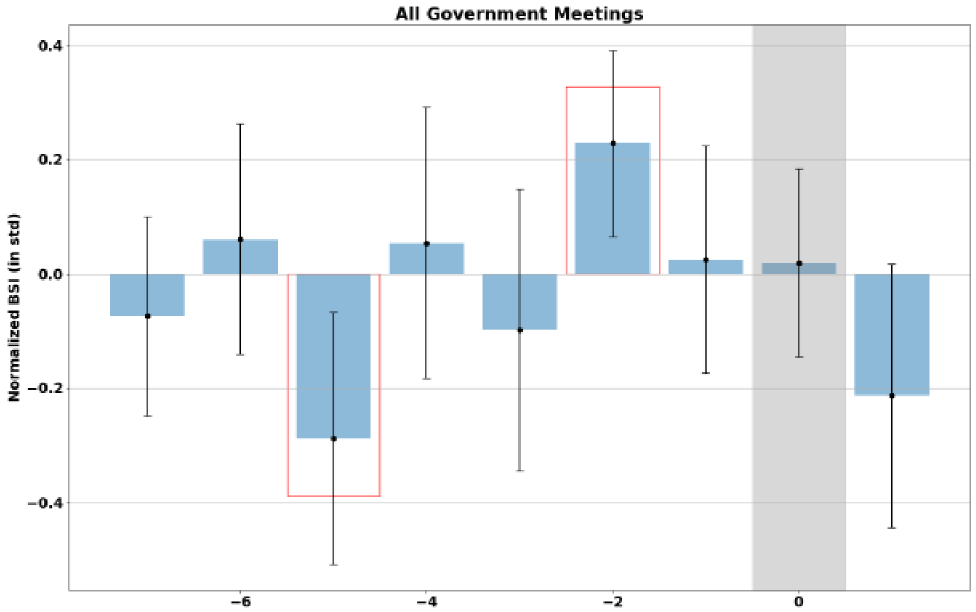
- Stock market run-up of 42 bp in two days before several types of economy related top political meetings from 2009 to 2022

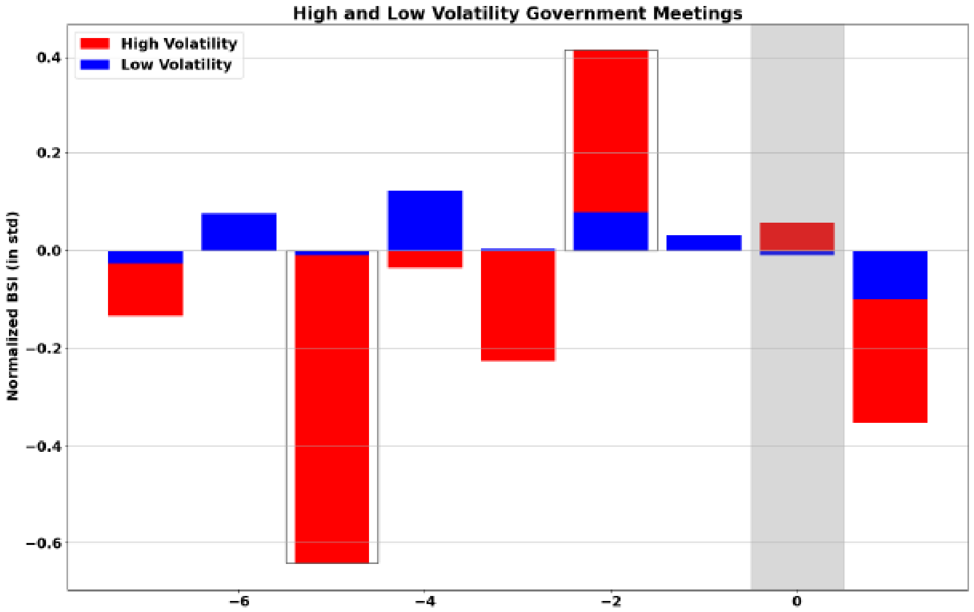
Heightened Uncertainty (E-day -7 to -4)



Institutional Trading

- Large trade imbalance is negative during the accumulation period and positive in the last two days before announcements
- Results are driven by high uncertainty announcements





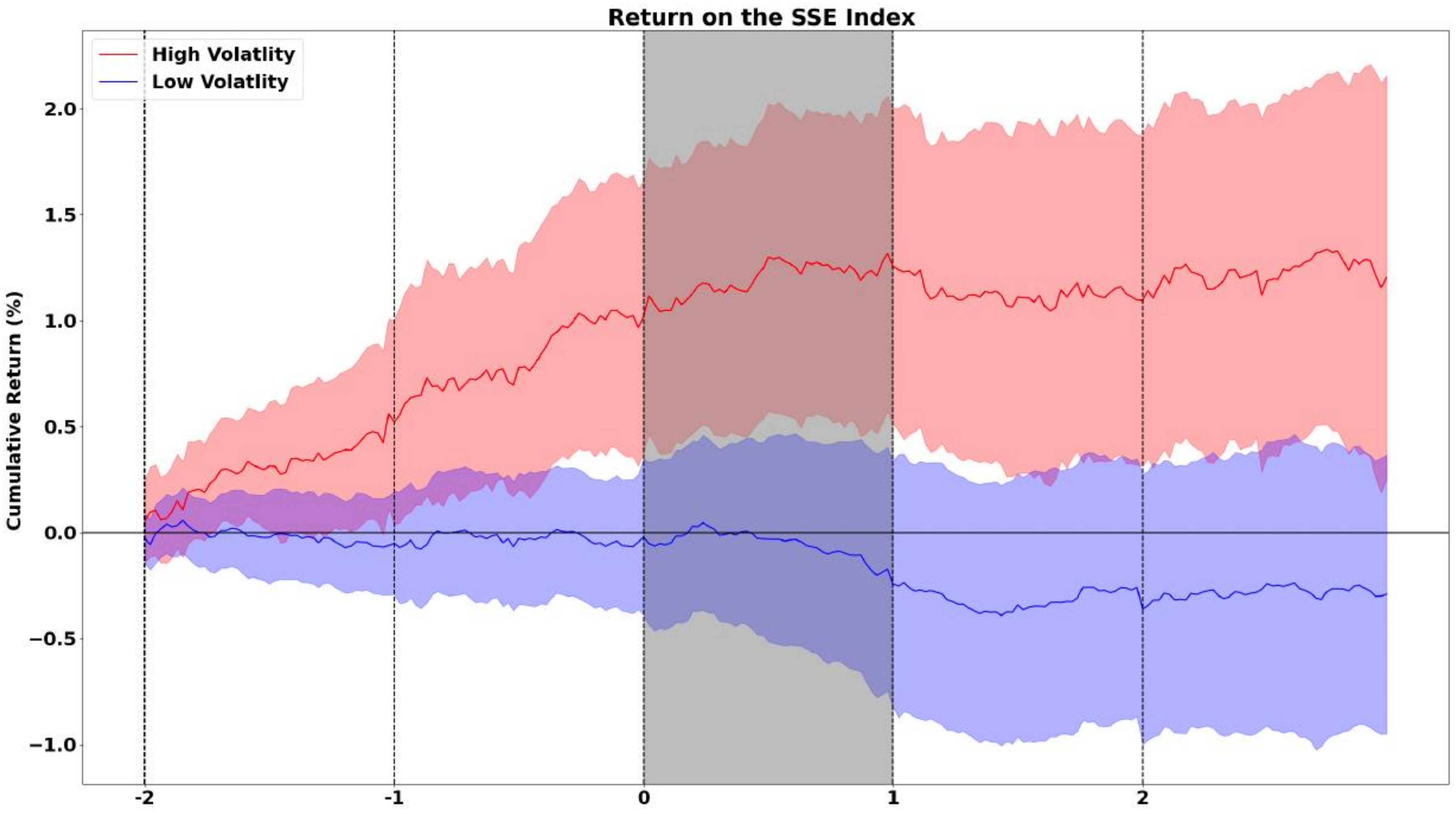
Other Interesting Results

- No run-up before macro or monetary policy (M2) announcements
- Significant run-up in SMB before M2
- No significant run-up before 2009 but the pre-announcement return predicts post-announcement return
- Post 2009, pre-announcement return positively predicts post-announcement return in low uncertainty regime
- A strong relation between institutional trading and Baidu search of the government meetings

Contributions

- The results support the theory of heightened uncertainty of Hu et al. (2022) – variance risk premium realizes before announcements after investors acquire information about the state of risk
- Brunnermeier et al. (2022): government interventions stabilize the market when noise trader risk is high. In turn, investors may view government policy information more important than fundamentals. This contrasts the market focus on central bank and macro announcements in the US – Chinese investors care more about government meetings than macro announcements

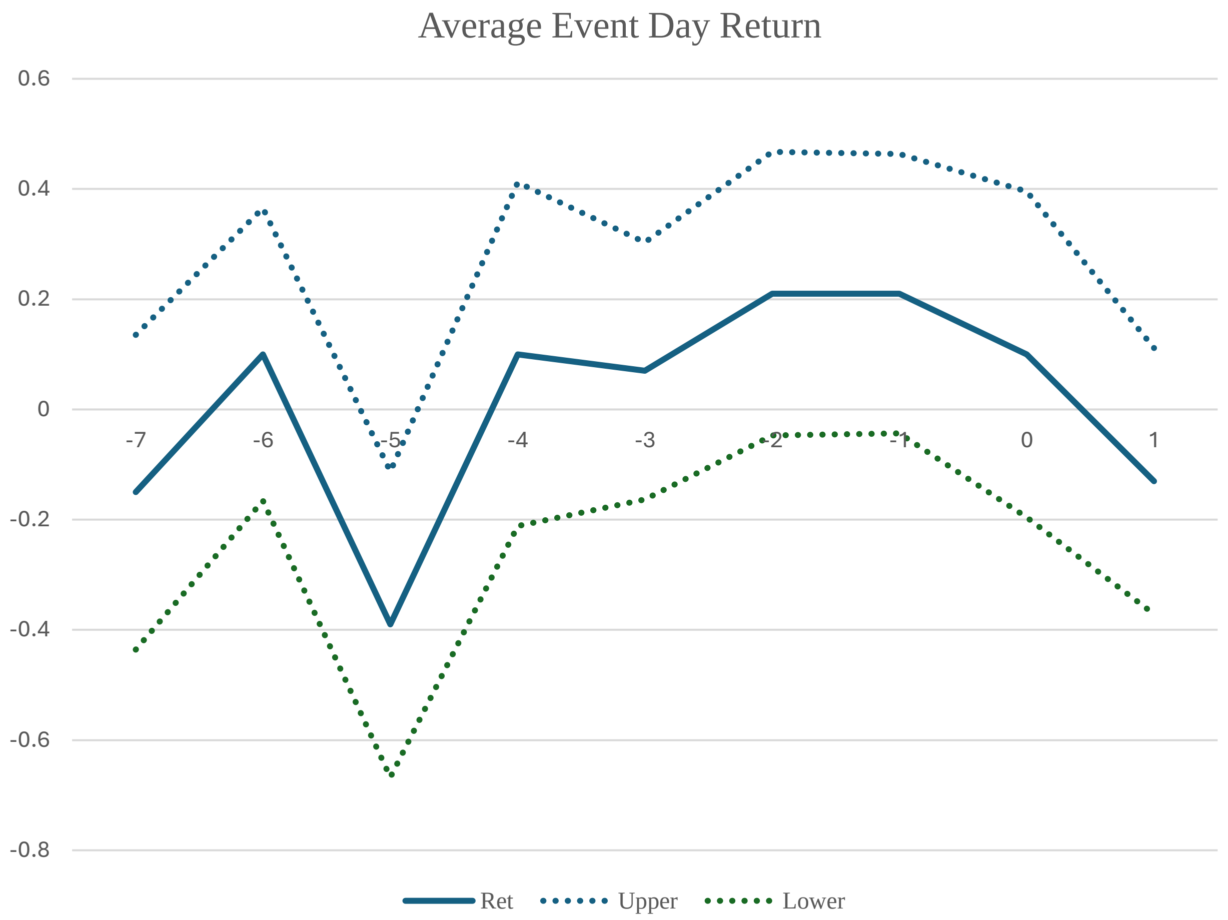
Comment 1: Missing Post-event Risk Premium



A Closer Look

Daily SSE Returns (%)

day	obs	mean	std	min	max
GOV[-7]	95	-0.15	1.42	-6.62	4.44
GOV[-6]	95	0.10	1.32	-4.14	5.45
GOV[-5]	95	-0.39	1.38	-5.27	3.24
GOV[-4]	95	0.10	1.55	-8.86	3.06
GOV[-3]	95	0.07	1.16	-3.10	4.17
GOV[-2]	95	0.21	1.28	-3.69	4.22
GOV[-1]	95	0.21	1.26	-3.72	5.94
GOV[0]	95	0.10	1.47	-4.67	5.45
GOV[+1]	95	-0.13	1.20	-5.58	2.66
M2[-7]	168	0.25	1.27	-5.95	4.22
M2[-6]	168	0.21	1.36	-7.31	5.94
M2[-5]	168	0.10	1.38	-5.36	5.55
M2[-4]	168	0.09	1.35	-6.08	4.65
M2[-3]	168	0.02	1.44	-5.75	5.60
M2[-2]	168	0.09	1.17	-4.14	4.44
M2[-1]	168	0.07	1.11	-4.50	4.80
M2[0]	168	0.13	1.19	-3.61	3.48
M2[+1]	168	-0.09	1.26	-5.29	3.18
Full Sample	3403	0.02	1.36	-8.87	5.94



Missing Premium Post M2

Variables	Early in the month (1) <11th	(2) <12th	(3) <13th	(4) <14th	Late in the month (1) ≥11th	(2) ≥12th	(3) ≥13th	(4) ≥14th
$\mathbb{I}_{t_{M2}-5}$	−0.06	0.23	−0.02	−0.01	0.12	0.00	0.33	0.39
	(0.38)	(0.24)	(0.19)	(0.18)	(0.17)	(0.22)	(0.28)	(0.31)
$\mathbb{I}_{t_{M2}-4}$	0.22	0.18	−0.03	0.05	−0.06	−0.14	0.04	−0.16
	(0.30)	(0.20)	(0.16)	(0.15)	(0.17)	(0.21)	(0.29)	(0.36)
$\mathbb{I}_{t_{M2}-3}$	−0.04	0.15	0.13	0.25	0.26+	0.25	0.33	0.10
	(0.50)	(0.25)	(0.19)	(0.18)	(0.17)	(0.22)	(0.30)	(0.37)
$\mathbb{I}_{t_{M2}-2}$	−0.03	0.07	0.04	0.17	0.28*	0.33*	0.49*	0.38
	(0.23)	(0.19)	(0.16)	(0.15)	(0.16)	(0.20)	(0.26)	(0.32)
$\mathbb{I}_{t_{M2}-1}$	−0.28	−0.02	0.10	0.15	0.41***	0.52***	0.63***	0.73**
	(0.38)	(0.24)	(0.18)	(0.15)	(0.14)	(0.15)	(0.22)	(0.28)
$\mathbb{I}_{t_{M2}}$	0.33	0.29	0.23	0.20	0.13	0.07	0.08	0.06
	(0.35)	(0.22)	(0.17)	(0.15)	(0.14)	(0.16)	(0.21)	(0.27)
$\mathbb{I}_{t_{M2}+1}$	0.13	−0.24	−0.10	−0.13	−0.12	0.04	−0.02	0.07
	(0.42)	(0.25)	(0.19)	(0.17)	(0.15)	(0.16)	(0.23)	(0.27)
$\mathbb{I}_{t_{M2}+2}$	0.02	0.07	−0.11	−0.05	0.01	−0.03	0.20	0.15
	(0.33)	(0.28)	(0.21)	(0.18)	(0.18)	(0.19)	(0.25)	(0.33)
$\mathbb{I}_{t_{M2}+3}$	−0.25	−0.02	−0.12	−0.03	−0.06	−0.14	−0.05	−0.22
	(0.27)	(0.23)	(0.17)	(0.16)	(0.17)	(0.20)	(0.27)	(0.33)
$\mathbb{I}_{t_{M2}+4}$	0.11	−0.05	0.02	0.07	0.18	0.31+	0.39*	0.43+
	(0.34)	(0.25)	(0.20)	(0.18)	(0.17)	(0.19)	(0.23)	(0.28)
$\mathbb{I}_{t_{M2}+5}$	−0.21	−0.01	−0.03	0.06	0.16	0.18	0.37+	0.24
	(0.32)	(0.30)	(0.21)	(0.19)	(0.18)	(0.17)	(0.23)	(0.28)
Constant	0.12	0.11	0.12	0.16	−0.32*	−0.29	−0.20	−0.49
	(0.54)	(0.28)	(0.19)	(0.19)	(0.19)	(0.24)	(0.29)	(0.36)

- Guo, Jia, and Sun (2023) find a run-up before M2 announcements, but no risk premium after the announcement
- The run-up comes from late announcements in a month

Comment 2: Risk Identification

- Weak identification:
  - Institutional trading directly affects this measure of uncertainty (volatility) -- a missing variable problem about other trading motivations
- Should investors care about non-econ meetings?
  - Culture, Military, Society, Agriculture, Rural affairs
- Table 2 suggests only Politburo Econ has some results. Why include the others?

	obs	mean	t-stat
Panel A: Chinese Government Meetings			
Gov Meeting	95	**0.42**	**2.22**
(Excl. Top/Bottom 1%)	93	**0.44**	**2.53**
Two Sessions	14	0.07	0.13
Plenary Session	22	0.37	1.27
Politburo Econ	59	**0.52**	**2.06**
Politburo Other	92	-0.04	-0.20

Comment 3: Sample Period

- Brunnermeier et al. (2022) -- governments become more centric when noise trader risk is high. Structural break in 2009?
- Main sample should be 1998 – 2024

Comment 4: Resolution of Uncertainty

- Investors acquire information about risk level (proxied by Baidu search)
- For high uncertainty events, the uncertainty fully resolves before the event
- An alternative is information leakage
    - These are well rehearsed events
    - M2 leakage

Reuters World Business Markets Sustainability Legal Breakingviews Technology Investigations

Former China central bank official jailed for 16 years for graft - Caixin

By Reuters

December 29, 2023 12:23 AM GMT+8 · Updated a year ago

Aa

Sun Guofeng, former head of the bank's monetary policy department, used his position to help others obtain classified and confidential information between 2002 and 2020 in return for illicit payments worth 21 million yuan ($2.96 million), Chinese media outlet Caixin reported on Thursday, citing China's top prosecutor.

A Case Study of Politburo Meeting 2024.9.26

[redacted]

UPDATE

China Economics

Politburo: China's
Moment?

Read Full Report

(PDF: 3 Pages)

Beijing held the first ever poli
believe this suggests an incr
are shifting their approach to
fiscal support for housing and

[redacted]

RESEARCH

IDEA

China Economics

Bull vs. Bear: Social Dynamics Indicator and Policy Tipping Point

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(PDF: 10 Pages)

Asia Pacific

[redacted]

September 20, 2024

We believe Beijing is slowly shifting policy to support social welfare and housing, but that the pace will be gradual: Our proprietary Social Dynamics Indicator has deteriorated but not yet reached the previous thresholds seen in late 2022 or late 2015, when an outright policy pivot took place.

RESEARCH

Asia Pacific

[redacted]

September 24, 2024

e and mortgage cuts, and an inno-
is shifting approach on deflation.
ipport is needed with central gov't

Comment 5: China vs. US

- Talking about government interventions:


O:5,327.37 H:5,337.46 L:5,305.82 C:5,330.30 V:89.7m
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Based on the lack of respect that China has shown to the World's Markets, I am hereby raising the Tariff charged to China by the United States of America to 125%, effective immediately. At some point, hopefully in the near future, China will realize that the days of ripping off the U.S.A., and other Countries, is no longer sustainable or acceptable. Conversely, and based on the fact that more than 75 Countries have called Representatives of the United States, including the Departments of Commerce, Treasury, and the USTR, to negotiate a solution to the subjects being discussed relative to Trade, Trade Barriers, Tariffs, Currency Manipulation, and Non Monetary Tariffs, and that these Countries have not, at my strong suggestion, retaliated in any way, shape, or form against the United States, I have authorized a 90 day PAUSE, and a substantially lowered Reciprocal Tariff during this period, of 10%, also effective immediately. Thank you for your attention to this matter!
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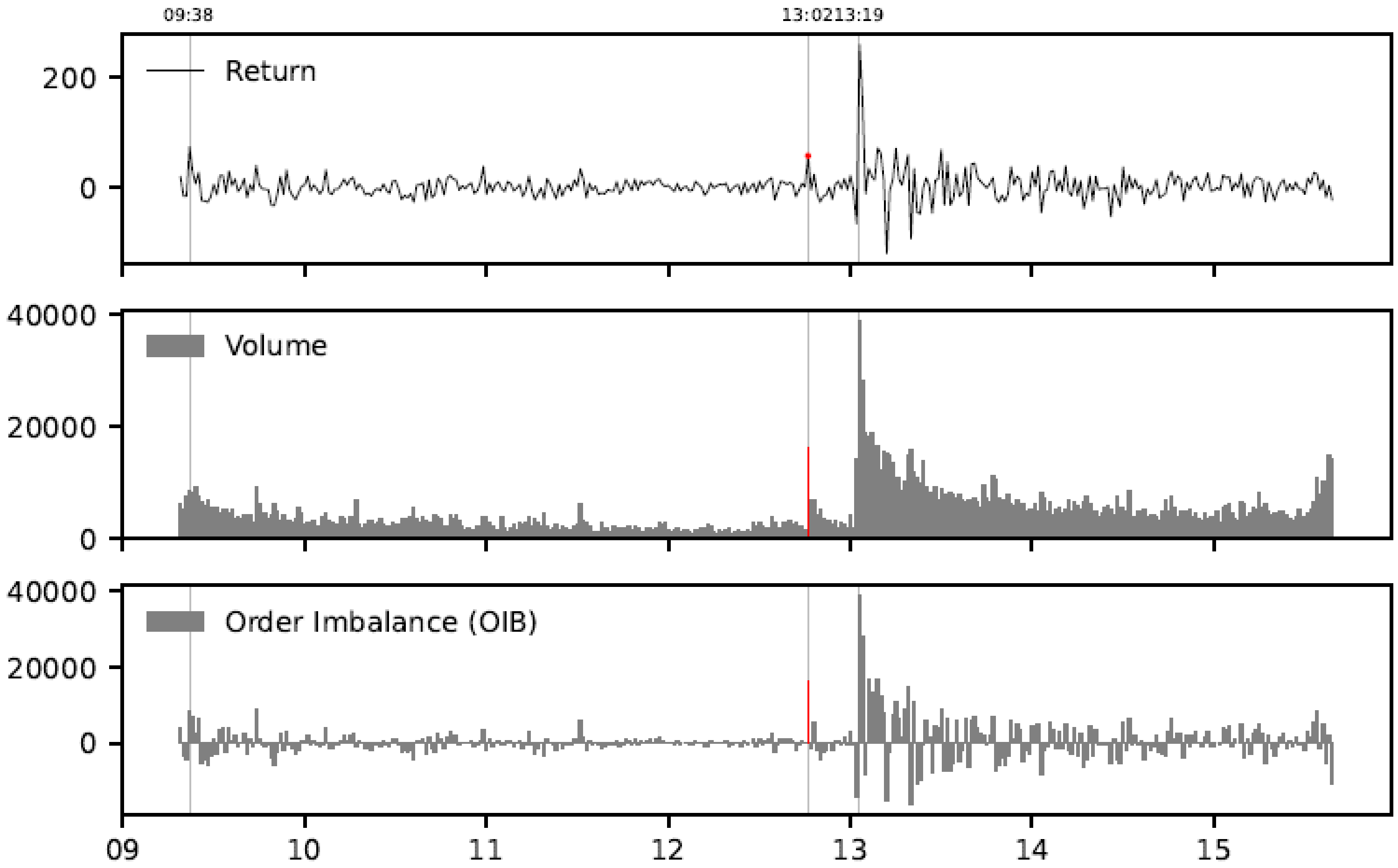
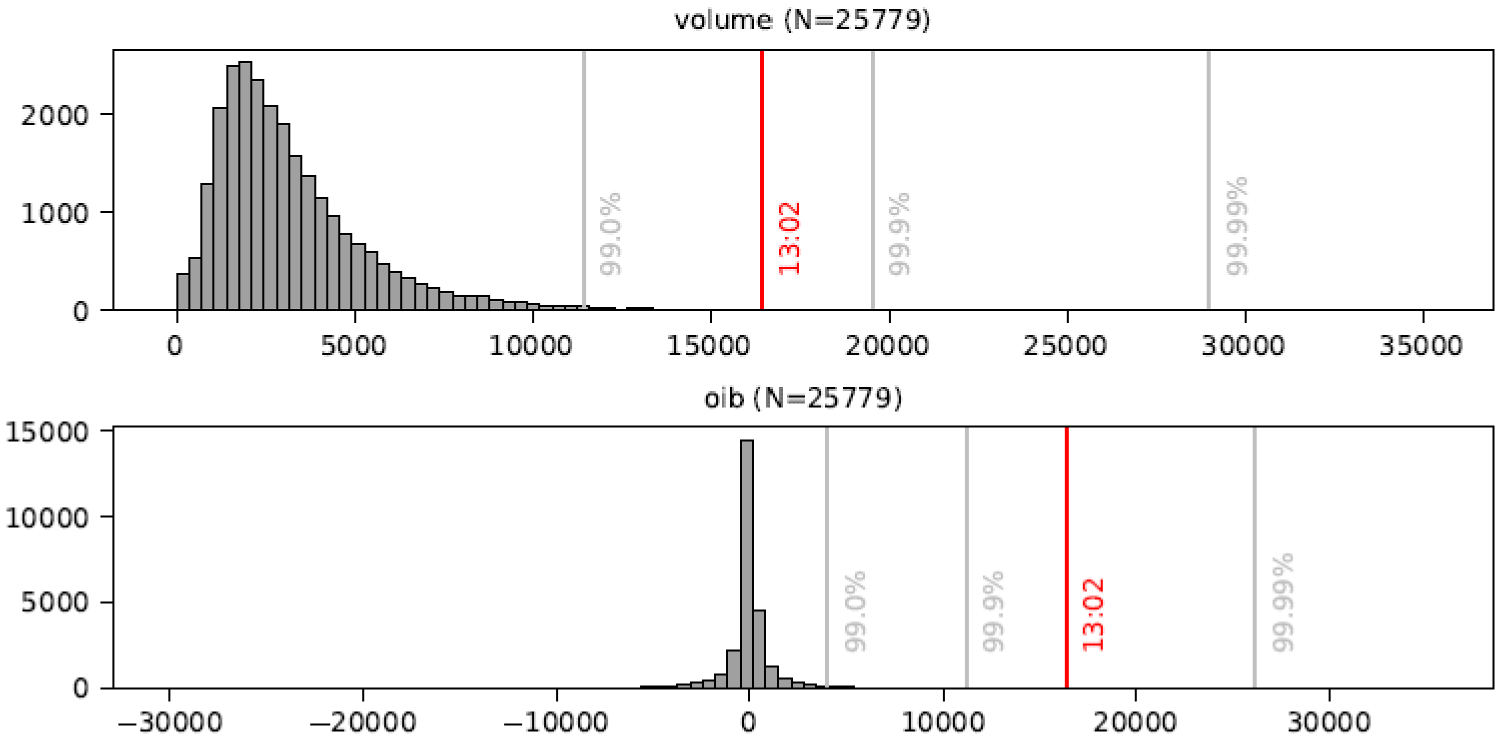
Minute-by-minute Emini S&P 500 Dynamics



Abnormal Activity at 13:02



Histograms of 1-minute volume and OIB from Jan 2 to Apr 9 (before 13:19) during active hours

Abnormal Activities Across Asset Classes