Investors’ behaviour in the Chinese Stock Exchanges: empirical evidence in a systemic approach

Caterina Lucarelli Giulio Palomba

Abstract
This paper investigates the Chinese mainland Stock Exchanges and their following interconnecting features: savers’ attitude towards stock investments, investors’ trading behaviour and stock returns explanations. We evaluate the effectiveness of the recent efforts made by the Chinese authorities to improve the level of legal protections for shareholders and the opening-up of the Chinese Stock Markets to foreign investors. The whole analysis is carried out through a system of simultaneous equations.

The main results are that Chinese shareholders and stock markets are mostly driven by emotional behaviour. Stock market returns are barely influenced by the overall Chinese economic booming, but reveal the presence of speculative influences. Investors’ behaviour, as well as general trading activities, hardly seems to be affected by the legal framework introduced by the national Authorities.

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Keywords: Chinese Stock Exchanges, shareholders’ rights, corporate governance, investors’ behaviour, system of simultaneous equations.