



The Chinese Warrants Bubble

Wei Xiong

Jialin Yu

AMERICAN ECONOMIC REVIEW
VOL. 101, NO. 6, OCTOBER 2011
(pp. 2723-53)

Download Full Text PDF

Article Information

Abstract

In 2005-2008, over a dozen put warrants traded in China went so deep out of the money that they were almost certain to expire worthless. Nonetheless, each warrant was traded more than three times each day at substantially inflated prices. This bubble is unique in that the underlying stock prices make warrant fundamentals publicly observable and that warrants have predetermined finite maturities. This sample allows us to examine a set of bubble theories. In particular, our analysis highlights the joint effects of short-sales constraints and heterogeneous beliefs in driving bubbles and confirms several key findings of the experimental bubble literature. (JEL G12, G13, O16, P34)

Citation

Xiong, Wei, and Jialin Yu. 2011. "The Chinese Warrants Bubble." *American Economic Review*, 101 (6): 2723-53.

DOI: 10.1257/aer.101.6.2723

This website uses cookies.

By clicking the "Accept" button or continuing to browse our site, you agree to first-party and session-only cookies being stored on your device to enhance site navigation and analyze site performance and traffic. For more information on our use of cookies, please see our [Privacy Policy](#).

Accept

Additional Materials

Replication Package (85.21 KB)

JEL Classification

G12 Asset Pricing; Trading volume; Bond Interest Rates

G13 Contingent Pricing; Futures Pricing; option pricing

O16 Economic Development: Financial Markets; Saving and Capital Investment; Corporate Finance and Governance

P34 Socialist Institutions and Their Transitions: Financial Economics

Find us on Facebook and X (formerly Twitter).



@AEAJournals



@AEAJournals



@AEAInformation



@ASSAMeeting



@JOE_listings

Copyright 2024 American Economic Association. All rights reserved.

[Terms of Use](#) & [Privacy Policy](#)

This website uses cookies.

By clicking the "Accept" button or continuing to browse our site, you agree to first-party and session-only cookies being stored on your device to enhance site navigation and analyze site performance and traffic. For more information on our use of cookies, please see our [Privacy Policy](#).

Accept