Taylor & Francis
Online

Applied Financial Economics ›
Volume 17, 2007 - Issue 16

258 Views | 21 CrossRef citations to date | 0 Altmetric

Original Articles

On the convergence of the Chinese and Hong Kong stock markets: a cointegration analysis of the A and H shares

Qian Su, Terence Tai-Leung Chong & Isabel Kit-Ming Yan

Pages 1349-1357 | Published online: 07 Nov 2007

Cite this article https://doi.org/10.1080/09603100600993760

Sample our
Economics, Finance,
Business & Industry Journals
>> Sign in here to start your access
to the latest two volumes for 14 days

Full Article | Figures & data | References | Citations | Metrics

Reprints & Permissions | Read this article | Share

Abstract

This article explores the potential existence of comovements between the stock prices in Mainland China and Hong Kong. The cointegration test shows that the prices of a substantial number of A shares and H shares have started to cointegrate with each other after the launch of the Closer Economic Partnership Arrangement in recent years. This confirms the role of increased financial openness in accounting for the stock market comovements between Mainland China and Hong Kong.

Notes

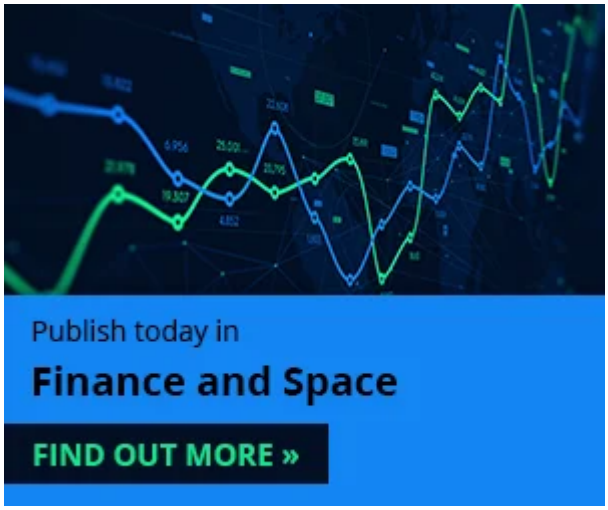
[1] ‘H-share companies’ refer to the Chinese companies which are incorporated in Mainland China and listed in Hong Kong. ‘A shares’ refer to the stocks issued by the domestic companies in Mainland China and are traded in RMB by domestic investors only.

[2] Both the Shenzhen and Shanghai Stock Exchanges are included.

[3] We find that both the HSI and the H-share Index are highly cointegrated with the SHA. The cointegration test results are reported at the end of Table 3. In fact, the two Hong Kong Indices, HSI and H-share index, are found to have a strong correlation of 0.86 in the sample period.

[4] The unit root hypothesis cannot be rejected for any of the 29 stocks when no drift or trend term is included (Equation 1). The same null hypothesis is rejected for 2 stocks only when the drift is included but not the trend (Equation 2). The results for these two specifications are available upon request from the authors.

[5] The results for $j = 3$ are available upon request.



Related research

People also read | Recommended articles | Cited by 21

Information for

Authors

R&D professionals

Editors

Librarians

Societies

Open access

Overview

Open journals

Open Select

Dove Medical Press

F1000Research

Opportunities

Reprints and e-prints

Advertising solutions

Accelerated publication

Corporate access solutions

Help and information

Help and contact

Newsroom

All journals

Books

Keep up to date

Register to receive personalised research and resources by email

Sign me up

Copyright © 2026 Informa UK Limited Privacy policy

Cookies Terms & conditions Accessibility

Taylor and Francis Group

Registered in England & Wales No. 01072954
5 Howick Place | London | SW1P 1WG