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

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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.