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The Dynamics of Financial Market Integration Between Chinese A- and H-Shares

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Notes

1. Market integration is generally defined as the correlation between markets, which show different expected returns. As Bekaert and Harvey (1995) argue: “Markets are completely integrated if assets with the same risk have identical expected returns irrespective of the market.” and “If a market is segmented from the rest of the world, its covariance with a common world factor may have little or no ability to explain its expected return.”

2. Cai, McGuinness, and Zhang (2011) hypothesize a decrease in H-share price discount relative to A-share price, indicating an increase in cointegration between A- and H-shares.

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