A Nascent International Financial Channel of China's Monetary Policy Transmission*

Chang Ma† Alessandro Rebucci‡ Sili Zhou§

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Abstract

Chinese private portfolio equity outflows, though small compared to other Chinese outflows, are growing rapidly because of capital account liberalization and capital flight. Using granular stock-holding data on Qualified Domestic Institutional Investor (QDII) mutual funds, we identify a nascent financial channel of international transmission of Chinese monetary policy to world stocks. Event study analysis around monetary policy announcement days reveals that monetary policy tightening depresses returns of country equity indexes and individual U.S. stocks with QDII fund exposure relative to non-exposed stocks. The results are robust to controlling for the real transmission channel of Chinese monetary policy and other confounders. The effect is driven by smaller and less liquid firms, but not by China-concept stocks or those highly exposed to China's macroeconomic shocks. We also find that the results are driven by household portfolio rebalancing from more to less risky assets following the announcement.

Keywords: QDII Funds, Chinese Monetary Policy, Household Rebalancing, Foreign Portfolio Equity Flows
JEL Classification: F30, G10

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†International School of Finance, Fudan University (changma@fudan.edu.cn).
‡Johns Hopkins Carey Business School and NBER (arebucci@jhu.edu).
§Department of Economics, University of Macau (silizhou@um.edu.mo).

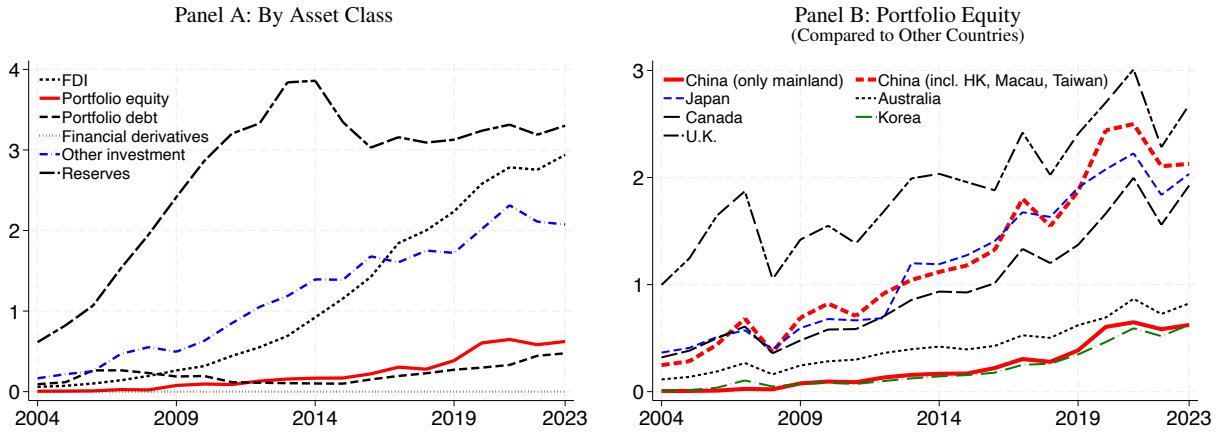
1 Introduction

China is a large economy that can significantly impact the rest of the world through reserve accumulation, international trade, foreign direct investment, global commodity markets, and official flows. In this paper, we study China's impact on country equity market indexes and individual U.S. stocks through portfolio equity flows. We uncover a nascent financial channel for the international transmission of Chinese monetary policy using mutual-fund-level data that is statistically significant but economically small.

Although still tightly regulated, China's foreign portfolio equity holdings have surpassed half a trillion US dollars in 2023, and were about a fourth the stock of official reserves or FDIs (Figure 1, Panel A). This foreign equity position has grown markedly since 2019, as the performance of the Chinese economy weakened relative to the rest of the world. In 2023, it was comparable in nominal U.S. dollar value to that of advanced economies like Australia or more financially integrated emerging markets like South Korea. If we include Hong Kong, Macau, and Taiwan, whose flows are highly correlated with those from mainland China, it was comparable to that of Japan, Canada, and the United Kingdom (Figure 1, Panel B). Chinese private portfolio investments are diversified across over 50 economies, but are more concentrated in certain sectors than others.

Identifying and quantifying the financial channel of international monetary transmission from China is important, as it is bound to gain importance over time. Since the mid-2000s, China has tended to lower restrictions on portfolio equity outflows whenever faced with upward pressure on its exchange rate (Appendix Figure A2). China also has the long-term goal to internationalize the Renminbi and boost its reserve currency status, which requires eventually embracing full convertibility and an open capital account. Additionally, China has excess savings over its current investment needs. Under these conditions, it is plausible to expect substantial and increasing capital outflows in the medium term. Given China's economic size, Chinese portfolio outflows could have a profound impact on global equity markets if one were to benchmark with the economic effects of China's official financial flows and private foreign direct investments (Horn et al. 2021) or its international trade flows (Miranda-Agrippino et al. 2020).

Figure 1 CHINESE FOREIGN ASSETS
(IN TRILLION US DOLLARS)



NOTE. Sources: State Administration of Foreign Exchange and Lane and Milesi-Ferretti (2007).

We identify a financial channel of transmission for China-specific shocks using both aggregate macro and micro fund-level data. To assess the impact of Chinese monetary policy changes, we conduct an event study around monetary policy announcement days, which occur at a higher frequency than portfolio rebalancing decisions. To isolate the country-specific component of these announcements, we control for global shocks and their effects in the regression analysis. For robustness, we also examine other China-specific events, such as investment quota increases and the annual Spring Festival.

Identifying Chinese monetary policy shocks is challenging due to the multiplicity of goals pursued and instruments used by the People's Bank of China (PBOC) in its monetary policy strategy and implementation (Miranda-Agrippino et al. 2025). We address this issue by leveraging the fact that households and institutional investors' equity portfolio rebalancing is not instantaneous. First, we restrict the analysis to four main policy instruments of the PBOC: the required reserve ratio, benchmark bank deposit and lending rates, the medium-term lending facility (MLF) rate, and the 7-day reverse repo rate. Second, we focus on monetary policy announcement days. Announcement days are identified by manual inspection of the PBOC's website over our sample period, which is feasible given the relatively short sample period. Third, to sign the direction of the announcements and to gauge the economic significance of these events, we borrow from the literature on

high-frequency identification of Fed and ECB monetary policy shocks. Specifically, we quantify variation in the importance of different announcement days by evaluating the daily change in the 1-year interest rate swap rates around key policy event dates, capturing changes in the overall market assessment of the interbank 7-day repo rate. We contend that while this approach may not deliver a series of pure Chinese monetary policy shocks, it provides a robust way to assess household and institutional investor foreign equity portfolio rebalancing around announcement days.

To identify the impact of private portfolio equity outflows on international stock returns and individual U.S. equities, we exploit granular fund-level data from China's Qualified Domestic Institutional Investor (QDII) program. As discussed in Section 2, the program was launched in 2006–07 to allow domestic households to diversify their investments and to mitigate RMB appreciation pressures, and it has since grown substantially. Early QDII fund holdings were also far more concentrated in a handful of stocks than in later years. We proxy the exposure of country-level stock indices and individual U.S. equities to Chinese outflows using pre-announcement QDII fund holdings, and then compare return responses between high- and low-exposure stocks on Chinese monetary policy announcement days.

We find that, on tightening announcement days, the returns of MSCI country indexes that are more exposed to QDII fund holdings fall more than those less exposed, in both dollar and local currency terms. These results are robust to controlling for other international channels of Chinese monetary policy transmission, including the state of the global financial cycle and the real channel of transmission in Miranda-Agrippino et al. (2020). By using a price multiplier of 5 implied by the low-elasticity hypothesis in Gabaix and Koijen (2021), our estimated price impact differential requires a sizable but not implausible portfolio equity flows reallocation relative to the total outstanding. In our final sample, total equity QDII holdings worldwide were US$40.5 billion in 2023, or 6.75% of total Chinese external foreign portfolio equity holdings, estimated US$622 billion globally at the end of 2023 according to IMF survey data.

When we estimate the impact of these shocks on individual U.S. stock returns, we find similar effects. The returns of individual stocks exposed to QDII fund holdings tend to decline more.

Sub-sample analysis suggests that smaller, more illiquid stocks tend to drive the average effects. Moreover, U.S.-domiciled stocks, stocks with low covariance with the Chinese market, and stocks of firms with a lower share of sales from abroad are also significantly affected.

We conduct extensive robustness analyses to address several identification concerns related to Chinese monetary policy shocks, the non-randomness of QDII fund holdings before announcement days, alternative exposure measures, and sample selection. Our findings are quite robust. As an external validity test of the documented financial channel, we also perform event studies on days when QDII fund quotas were relaxed (when greater Chinese private outflows are expected) and the run-up to the Chinese Spring Festival, when liquidity demand seasonally increases. The results are again robust.

If Chinese private equity flows exert a price impact on exposed individual U.S. stocks, what drives this transmission? We explore two avenues to explain our results. Following contractionary Chinese monetary policy announcements, Chinese households and managers may have an incentive to rebalance from riskier to less risky assets, potentially lowering the returns of foreign stocks held in their portfolios. We test this hypothesis by constructing fund flows consistent with Chevalier and Ellison (1997) and Sirri and Tufano (1998) and by comparing the differential behaviors of fund mandates. We find that QDII equity funds experience outflows after monetary policy tightening announcement days. In contrast, QDII bond funds see inflows, suggesting that households and managers reallocate from riskier to less risky assets.

The Chinese stock market features a much higher retail investor participation than the U.S. one, with nearly 90% of the Shanghai stock exchange volume driven by retail accounts—e.g., An et al. (2022), Brunnermeier et al. (2022).[1] The fund flow effects that we document are also retail-driven, as 79% of QDII investors are disclosed as retail. Retail investing, in turn, is arguably more susceptible to sentiment and behavioral biases. It is therefore interesting to examine whether

[1] "*For instance, the U.S. market displays typical features of developed capital markets, such as the dominance of institutional investors in terms of trading and holding, mature information environment, and established legislature system. Meanwhile, the Chinese stock market displays typical features of emerging markets, with rising institutional investors accounting for only a small part of the daily trading volume, high valuations (or lower earnings yields), high volatilities and high turnovers.*" (Jones et al. 2025)

the estimated price impact is driven by households or fund managers. We find that active mutual funds decrease their stock holdings more than passive funds following a contractionary monetary policy announcement. This pattern suggests that the documented effects are primarily driven by households rather than managers.

In conclusion, the paper's empirical findings uncover the footprint of China's private portfolio equity holdings on world stock markets and a nascent international financial channel of China's monetary and other domestic events. Our empirical findings also emphasize the importance of retail investing in this transmission, in contrast with the transmission from the United States to the rest of the world, which is typically assumed to be driven by institutional investors such as global banks. Studying the theoretical and policy implications of this new source of fickle international capital flows dynamics is an interesting area of future research.

Related Literature

Our paper contributes to several strands of literature. First, the paper relates to the literature on the international transmission of monetary policies and global shocks. While there is a very large literature focused on the influence of Fed and ECB monetary policies, work on the impact of Chinese monetary policy is much more limited. Miranda-Agrippino et al. (2020), in particular, study the international transmission of Chinese monetary policy from a macroeconomic perspective. This paper provides complementary evidence based on macro and micro data. Consistent with their study, we find that the financial channel of Chinese monetary policy remains limited at the aggregate level, but is significant for the cross-section of stock returns. We also identify and illustrate that retail investors as the primary drivers of this monetary transmission in the case of China.

Second, our paper contributes to the literature on China's impact on the global economy through its economic cycle and its macroeconomic policies. For example, Horn et al. (2020, 2021) focus on Chinese overseas lending by the public sector. Morck et al. (2008) examine China's outward foreign direct investment (FDI), and Cerutti et al. (2020) analyze lending behaviors of Chinese private banks. Ahmed and Rebucci (2022) assess the price impact of foreign official

investors, including China, on U.S. Treasury yields. Agarwal et al. (2019) study the portfolio decision of Chinese institutional investors and the motives driving foreign portfolio equity allocations. We investigate the impact of Chinese private portfolio equity flows on world stock market indexes and individual US stock returns.

Our work also relates to China's global influence through its economic policies, including exchange rate, macroeconomic, and monetary policies. Regarding exchange rate policies, Jermann et al. (2022) highlight a two-pillar framework shaped by capital controls, indicating that the internationalization of the RMB necessitates additional financial measures from the central bank, such as swap lines (Bahaj and Reis 2020). Nonetheless, these policies can generate global spillovers, as discussed in Eichengreen and Tong (2015). In addition, Ahmed et al. (2019) and Copestake et al. (2023) examine the global spillover effects of a potential hard landing in China stemming from macroeconomic policies, while Corneli et al. (2023) and Gutierrez et al. (2024) analyze the implications of Chinese macroeconomic surprises. These studies emphasize real channels of China's global influence, whereas we investigate a financial channel, similar to Lodge et al. (2024), who use VAR identification to explore similar questions. Our empirical analysis exploits data variation at the intermediary level and the timing of monetary policy announcements. This approach aligns with Miranda-Agrippino et al. (2020), which examines the transmission of Chinese monetary policy within a global VAR framework, and Shieh and Sanyal (2024) that analyzes the transmission of Chinese monetary policy through trade networks using a spatial autoregression model.

Finally, our paper contributes to the literature on financial integration and liberalization as for example, in Bekaert et al. (2005), Kose et al. (2009), among others. We study financial liberalization in China, a large capital-abundant country, whose implications may differ from those of smaller, capital-scarce nations (Gourinchas and Jeanne 2006). For instance, Clayton et al. (2025) analyzes bond market liberalization in China, while Ma et al. (2020) and Liu et al. (2024) investigate equity market liberalization, such as the QFII (Qualified Foreign Institutional Investor) program and Shanghai/Shenzhen-Hong Kong Stock Connect program. Our study examines Chinese equity outflows and their implications from international stock markets, emphasizing the nascent

financial channel of transmission associated with these flows driven by China-specific shocks.

The rest of the paper is organized as follows. Section 2 provides institutional details on the QDII investment program. Section 3 spells out our working hypotheses and how we identify the price impact of QDII flows and the mechanisms behind them in the data. Sections 4 and 5 present the empirical results. Section 6 investigates the economic mechanism. Section 7 concludes. Additional results and details of the empirical analysis are reported in the appendix.

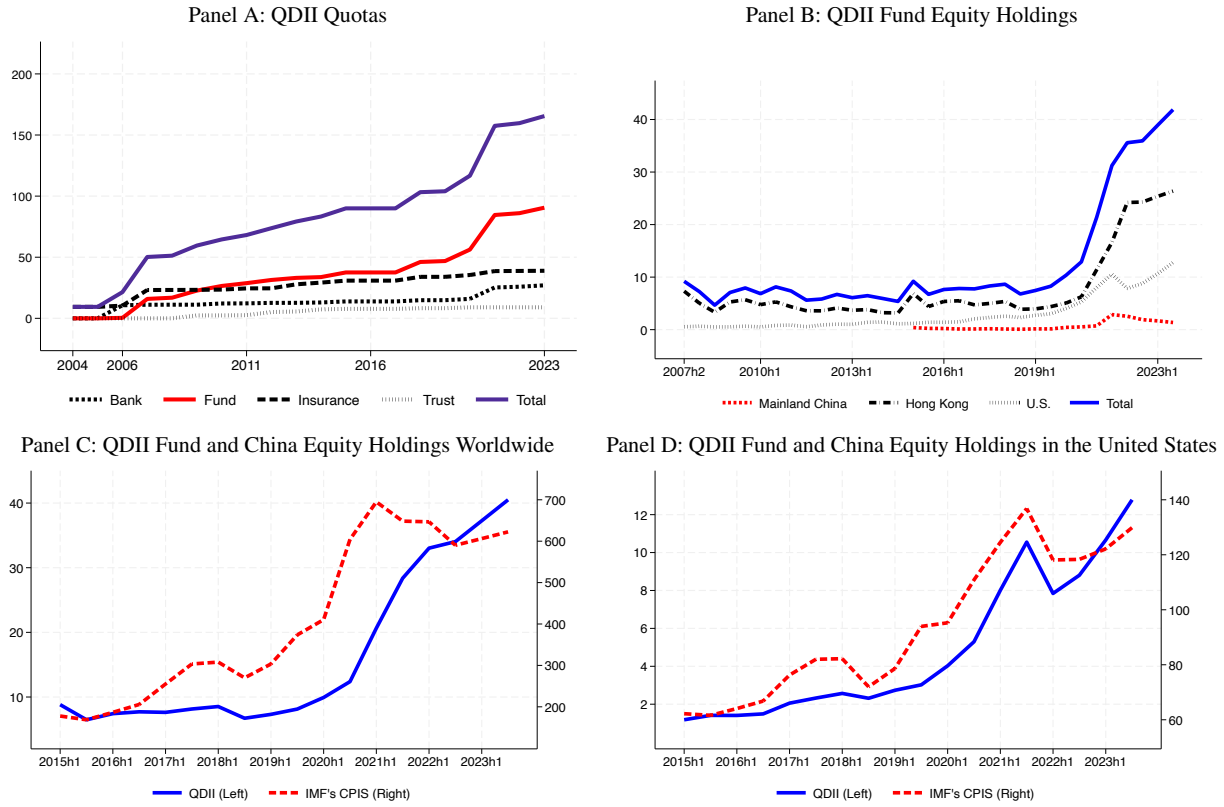
2 Institutional Backdrop

China maintains capital controls on cross-border portfolio investments, but has long launched programs to partially liberalize the capital account of its balance of payments. Inflow liberalization was introduced before outflow liberalization. To insulate the mainland's RMB-denominated A-share market from foreign inflows, before 2002, foreign investors could only access Chinese equities through B shares—USD-denominated stocks on the Shanghai market and HKD-denominated stocks on the Shenzhen market. The launch of the Qualified *Foreign* Institutional Investor (QFII) program in 2002 allowed designated offshore institutional investors to directly purchase mainland-listed shares, though initially subject to quotas and other restrictions like minimum holding periods. Over time, these restrictions were gradually relaxed, culminating in the removal of all QFII restrictions on qualified investors in September 2019.

On April 13, 2006, the People's Bank of China (PBOC) launched the Qualified *Domestic* Institutional Investor (QDII) program, which allows domestic residents to invest overseas through designated institutional investors offering a range of products and intermediation services.[2] The program sets both an overall quota for total outflows and sub-quotas by intermediary type—banks, insurance companies, trusts (investment companies or shadow banks), and mutual funds (hereafter "funds," including active and passive products). The regulator must approve each intermediary's application, which is processed within 20 business days and can be submitted at any time. Appli-

[2]See http://www.pbc.gov.cn/en/3688110/3688181/3699115/index.html.

Figure 2 QDII QUOTAS, QDII FUND EQUITY HOLDINGS, AND TOTAL CHINA EQUITY HOLDINGS (BILLION USD)

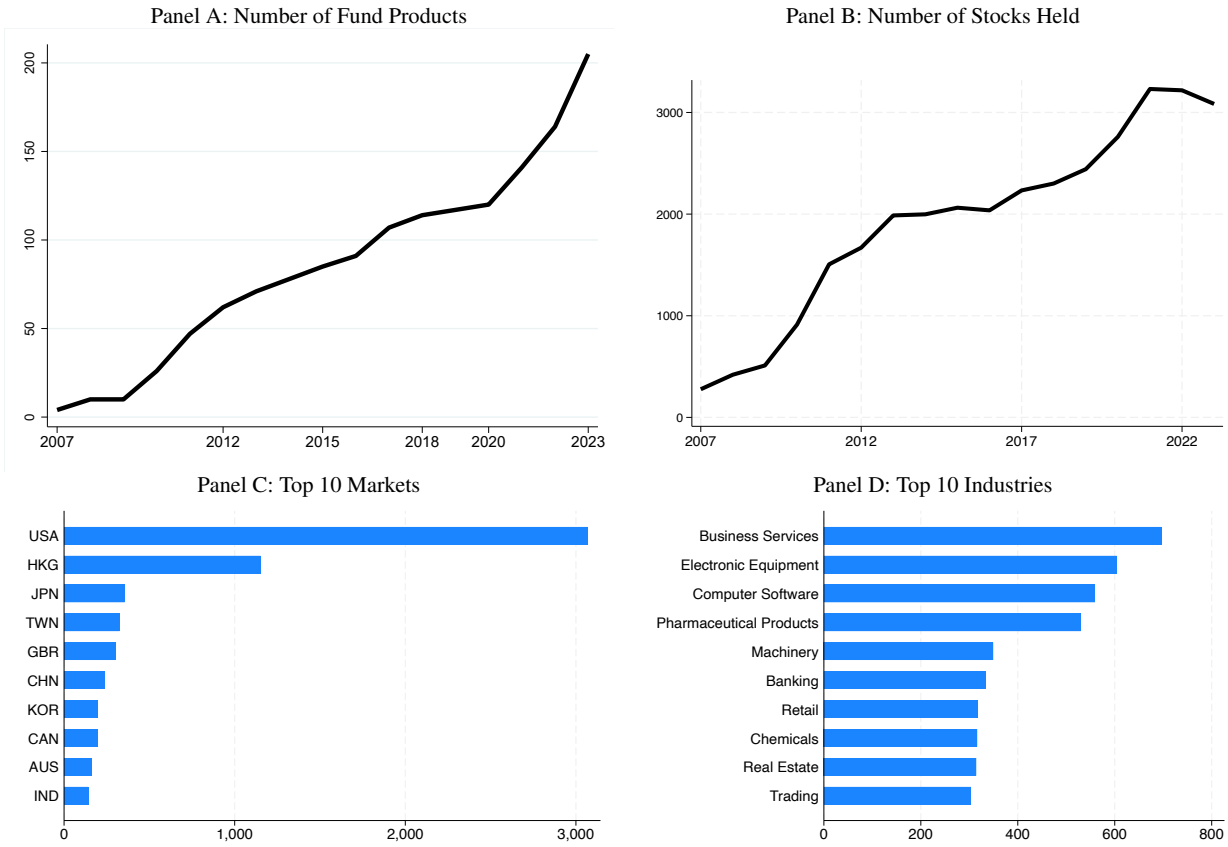


NOTE. Panel A plots QDII quotas by type of institutional investor, including banks, mutual funds, insurance companies, and trusts. Panel B shows total QDII fund holdings in world stock markets, covering mainland China, Hong Kong, and the United States, based on the stock listing location. Panels C and D compare QDII funds with China's total portfolio equity holdings in global and U.S. markets, respectively, using data from the IMF Coordinated Portfolio Investment Survey (CPIS). Sources: State Administration of Foreign Exchange, Wind, and IMF.

cations may be denied, but approvals are rarely revoked. QDII funds typically do not utilize their full quotas. Consequently, QDII funds generally have scope for unrestricted rebalancing toward foreign stocks when opportunities arise.

The program was announced in 2006 and began operating in 2007. Initial interest was lukewarm at a time when the domestic stock market was booming (Appendix Figure A1), with strong expectations of RMB appreciation against the U.S. dollar and concerns about global volatility and the U.S. subprime mortgage crisis. Initially, the regulation also imposed tight restrictions on available investment opportunities. To support the program's uptake and also alleviate appreciation pressure on the exchange rate, regulators significantly expanded the program's scope and relaxed

Figure 3 QDII FUNDS' GROWTH AND FOOTPRINT



NOTE. Panels A and B show the number of QDII fund products and the number of distinct stocks held by QDII funds from 2007 to 2023. Panels C and D list the top 10 markets and industries (Fama-French 49 classification) based on the stocks held by QDII funds during the same period. Data sources: Wind and Worldscope.

restrictions in mid-2007 (Appendix Figure A2).[3]

In September 2006, the total quota for all intermediaries was approximately US$18.4 billion, allocated mainly to banks and insurance companies (roughly half each), with only US$0.4 billion going to three mutual funds.[4] Over time, both the total quota and the funds' share increased substantially. By 2023, funds accounted for US$90.6 billion of the total US$165.6 billion quota, making them the largest institutional segment within the program (Panel A, Figure 2).

The number of QDII fund products expanded from fewer than 10 in 2007 to 205 in 2023 (Panel A, Figure 3). Excluding nine "alternative" funds that primarily invest in commodities, gold, and/or

[3]See Robinson and Newman (2008) and http://www.csrc.gov.cn/csrc/c101932/c1044480/content.shtml.

[4]Insurance companies had some access to foreign equity markets even before 2006 (Figure A2).

REITs (real estate), there were 196 funds at the end of 2023. Among these 196 funds, 7 are bond funds, 51 are hybrid funds that invest in both bonds and equities, and 138 are equity funds. By investment style, 93 are passive funds and 103 are actively managed. Most passive funds are global or regional ETFs tracking major indices such as the S&P 500, Nasdaq 100, and MSCI Emerging Markets, with the remainder being sector- or theme-focused ETFs. Actively managed funds fall into three broad categories: global equity funds emphasizing U.S. mega-caps, European luxury firms, and Asian growth stocks; funds targeting Chinese H-shares and ADRs; and fixed-income or hybrid funds holding U.S. Treasuries, investment-grade corporates, and emerging market sovereign debt. QDII funds primarily invest in equities. During 2008-2023, equity funds on average allocated 79.67% to equities, 0.08% to bonds, 9.98% to cash, and the remainder to other assets. Hybrid funds allocated 76.57% to equities, 0.40% to bonds, 15.11% to cash, and the rest to other assets. The only seven bond funds in our sample allocated 60.05% of their portfolios to bonds, 11.97% to cash, 2.56% to equities, and the remainder to other assets.

QDII funds have progressively broadened their footprint. The number of distinct stocks held at any time rose from 277 in 2007 to 3,084 in 2023 (Panel B, Figure 3). By dollar value, Hong Kong is the most important destination, followed by the United States (Panel B, Figure 2), whereas by number of firms held, the U.S. ranks first (Panel C, Figure 3). Worldwide, QDII fund holdings are concentrated in high-tech industries such as pharmaceuticals and electronics, with significant exposure to credit card companies (classified under Business Services in Panel D, Figure 3).

In 2023, QDII mutual funds' holdings in global markets (excluding Chinese stocks) totaled US$40.5 billion compared to the US$90.6 billion quota. While we do not have data on the actual holdings of other institutional investors, conservatively assuming that their equity holdings are the same as the QDII funds' relative to quota, total equity holdings under the QDII program should be approximately US$75 billion. This represents more than 10% of the US$622.6 billion in total Chinese portfolio equity holdings reported to the IMF CPIS by the Chinese authorities for 2023 (Panels B and C, Figure 2). A second important channel for Chinese households to access foreign equities is the Shanghai/Shenzhen–Hong Kong Stock Connect since 2014, but it is limited to el-

igible Hong Kong-listed shares. We estimate that this program accounted for US$280 billion of China's IMF CPIS total foreign equity holdings.[5] Third, the IMF CPIS also includes non-financial corporations' holdings, which are estimated to be about US$69 billion in 2023.

Additionally, we note that the IMF CPIS might be underestimating China's private foreign equity holdings, as it is based on official statistics reported by the authorities. First, the CPIS reports data on a residence basis, thus missing holdings acquired through intermediaries located in financial centers or other jurisdictions more friendly to opaque ownership structures. Coppola et al. (2021) find that considering indirect Chinese holdings through VIE (Variable Interest Entity) corporate structures does not result in a significant restatement of the Chinese equity position in the United States in 2017. However, other ownership forms could be more prevalent on the liability side of the U.S. net foreign asset position. Second, some Chinese portfolio flows likely reach foreign equity markets by circumventing formal capital controls, but appear in the net errors and omissions of the balance of payments. The cumulative balance-of-payments errors and omissions through 2023 amount to roughly US$1.73 trillion in Lane and Milesi-Ferretti (2007) data. Based on the same source, foreign equity holdings account for about 10% of China's non-reserve foreign assets in 2023, equivalent to roughly US$173 billion.

Finally, the public sector also plays a significant role, through its two main sovereign wealth funds, historically funded with accumulated foreign official reserves (Liu, 2023): the China Investment Corporation (CIC) and the State Administration of Foreign Exchange (SAFE), with their affiliated entities. Quantifying their foreign equity exposure is challenging, but CIC disclosures help to provide a ballpark estimate. For 2023, CIC reports US$1.33 trillion in total assets, US$1.24 trillion in net assets, and a 33.13% share of foreign assets invested in public equities.[6] Excluding the RMB-denominated holdings of Central Huijin (the so-called "National Team" holding company), which are reported at 6.41 trillion RMB, or US$910 billion, CIC's foreign assets were approximately US$330 billion in 2023, implying about US$109 billion in foreign equities for 2023.

[5]The estimate is obtained by adding up individual stock holdings in the Connect at 2023 year-end plus the value of eight ETF funds with estimated AUM of $1.8 billion. Together with the QDII holdings in Hong Kong, the estimate matches the IMF CPIS data on China's holdings in Hong Kong, reported to be US$325 billion in 2023.

[6]See the CIC annual report 2023 at https://www.china-inv.cn/chinainven/xhtml/Media/2023EN.pdf.

SAFE and affiliated entities do not disclose holdings. According to Liu (2023), SAFE held about US$1 trillion in foreign assets in 2019. If SAFE's holdings were allocated as the CIC's, its foreign equity position at the end of 2023 should have been approximately $300 billion, implying total Chinese equity holdings worldwide approaching US$1 trillion. Note, however, that CIC holdings are reported to the IMF CPIS because they are regarded as corporate-owned, while SAFE holdings are not because they are treated as government-owned.[7]

In conclusion, considering officially reported holdings in the IMF CPIS, private undocumented foreign equity holdings, and SAFE estimated holdings, it is plausible to assume that total Chinese foreign equity holdings have surpassed US$1 trillion.

Appendix Table A3 reports QDII holdings as a share of market capitalization and shows that they are very small compared with the average 13% foreign institutional ownership worldwide, the 11% in Hong Kong, and the 8% in the United States estimated by Bena et al. (2017). By contrast, total Chinese foreign equity investment is a more significant share of the global equity market. Using the conservative IMF CPIS estimates, Chinese foreign equity holdings represent roughly 0.3% and 0.6% of the U.S. and world stock market capitalization, respectively. QDII *fund* holdings, in turn, represent more than 6.5% of total Chinese foreign stock holdings worldwide, and 9.8% of Chinese holdings in the U.S. in 2023.

A key assumption in our empirical analysis is that QDII fund holdings, allocations, and rebalancing behavior are representative of total Chinese foreign equity holdings. Panels C and D of Figure 2 show that QDII fund holdings are highly correlated over time with total CPIS-reported holdings, with level correlations of 0.81 and 0.94, and a year-on-year growth rate correlation of 0.20 and 0.80 for worldwide and United States holdings, respectively. Although IMF CPISs data do not provide details on stock-level or sector allocations, we find that (i) the country allocation in the QDII fund data has a correlation of 0.90 with the IMF CPIS data, driven by the Hong Kong and US shares, and (ii) the industry allocation in the CIC data correlates closely with the QDII alloca-

[7]For example, U.S. Treasury International Capital (TIC) data, which includes both CIC and SAFE assets, report that China held US$309 billion in U.S. corporate equities in 2023 (US$261 billion in common stock), compared with US$122 billion in IMF CPIS.

tion by industry. While direct validation of rebalancing behavior is not possible, it is reasonable to assume that all private holdings share similar behavior. For example, the correlation between the Chinese balance of payments cumulated error and omission and QDII fund equity holdings is 0.80 in levels and 0.58 in annual growth rates from 2007 to 2023.

Although CIC and SAFE have become more focused on maximizing returns after the global financial crisis, as the CIC disclosure documents, partly driven by long-running bureaucratic competition between SAFE (representing the PBoC) and CIC (representing the Ministry of Finance) for influence over China's foreign exchange reserves and economic policy (Liu 2023), the sovereign wealth funds literature (e.g., Kotter and Lel 2011, Bortolotti et al. 2015) suggest that their ownership structure may distort these funds behavior. We therefore do not assume that CIC and SAFE have the same rebalancing behavior as the other institutional investors.

3 Hypotheses, Identification Strategy, and Data

As a large country liberalizes capital outflows, we expect its international financial impact—particularly from private investors—to grow. To identify the price impact and examine the transmission channels, we conduct an event-study analysis around monetary policy announcement days.

3.1 Hypotheses

Our first hypothesis is that a tightening monetary policy announcement in China will lower global stock returns through portfolio rebalancing by Chinese private investors. If contractionary monetary policy news increases risk aversion, domestic aggregate risk, or tightens liquidity for home investors, they may shift their portfolio holdings from riskier to less risky assets. As these investors rebalance, Chinese mutual funds—especially those heavily invested in stocks—should experience redemptions. Fund managers, therefore, may also have to reduce their equity investments, leading to relative declines in the returns of stocks held by these funds compared to those not held. Thus, we expect that country equity indexes and individual stocks more heavily exposed to QDII

fund holdings should experience greater relative return declines after Chinese contractionary monetary policy announcements. We label this effect a nascent financial channel for the international transmission of Chinese monetary policy and state our hypothesis as follows.

Hypothesis 1. ***Financial Channel of Chinese Monetary Policy International Transmission.*** *A contractionary Chinese monetary policy announcement negatively impacts foreign stock returns, particularly for country indexes and individual stocks that are held by QDII funds.*

Our second hypothesis is that the price impact operates through the reverse risk-seeking channel of monetary policy transmission. We expect that following a tightening monetary policy announcement, QDII flows will shift from equities to bonds and cash, driven by household or manager reallocation toward safer assets. Households should rebalance from riskier to safer assets, leading to different responses of funds with equity versus bond mandates. Fund managers may also shift allocations from riskier to safer assets, either to accommodate final demand passively or to respond actively. We conjecture that both sources of rebalancing away from foreign equities could contribute to this nascent financial transmission channel of Chinese monetary policy, and our empirical analysis aims to quantify their relative importance. Thus, our second hypothesis can be stated as follows:

Hypothesis 2. *Following a contractionary Chinese monetary policy announcement, households and mutual fund managers should rebalance from riskier to safer assets.*

3.2 Identification

Our identification strategy relies on two sources of variation in Chinese demand for foreign equities: country-specific monetary policy shocks and foreign stock exposure to Chinese private investors' equity portfolios prior to the realization of these shocks. In our baseline analysis, we conduct an event study on Chinese monetary policy announcement days, assessing their intensity by examining the impact on interest rate swaps. For robustness, we also consider stock return behavior after the implementation of changes in QDII fund quotas and before the beginning of the

annual Spring Festival. QDII quota increases should have a significant impact on exposed stocks. Similarly, the effects and the mechanisms hypothesized should be particularly evident in the run-up to the most important holiday in the Chinese calendar, when liquidity needs are known to spike. By concentrating on a narrow window of very few days around these events (relative to the typical portfolio rebalancing frequency), we can control for the influence of contemporaneous foreign shocks that could also affect global stock returns.

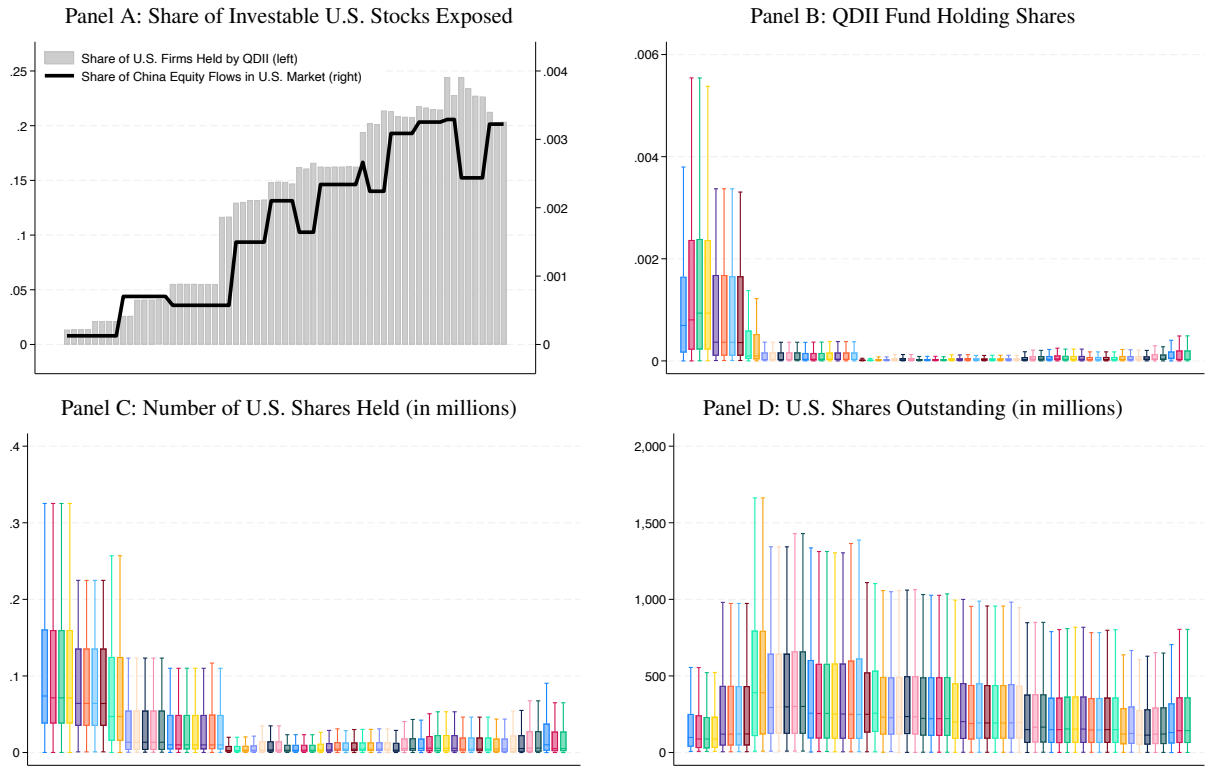
China's monetary policy has multiple goals and instruments and is notoriously hard to represent as a sequence of well-behaved shocks (Miranda-Agrippino et al. 2025). We focus on Chinese monetary policy announcement days for four key actions by the POBC: the required reserve ratio for banks, benchmark bank deposit and lending rates, the medium-term lending facility (MLF) rate, and the 7-day reverse repo rate. These are arguably the most important policy instruments used by the PBOC. Since these instruments are either quantity- or price-based, we use changes in the 1-year interest rate swap rate around the announcement dates, which reflect revisions to expectations about the underlying interbank 7-day repo rate, to sign the announcement and capture its intensity.[8] We construct the resulting monetary policy "shocks" using one-day windows around the announcements, minimizing the likelihood of capturing shocks specific to the treated country indexes or individual stocks. Appendix Figure A3 plots the estimated shocks and shows that their variance has significantly decreased over time.[9]

The second source of identification comes from the foreign stock holdings of QDII funds, which serve as a proxy for all Chinese private foreign equity investments. This includes investments through other institutional investors under the QDII program (the banks, insurance, and investment companies), the Connect Program, and capital flight (i.e., outflows that initially cross the border legally for other purposes or circumvent official capital controls illegally before transitioning into legal foreign equity investments). Here, the critical assumption, discussed in Section 2, is that QDII funds reflect the portfolio preferences of all Chinese private investors, not only the

[8] Kamber and Mohanty (2018) follow a similar strategy.

[9] The figure also shows that, post 2015, the monetary policy surprises are mostly on the downside. This is consistent with the sequence of negative shocks buffeting the Chinese economy since 2015, starting with the stock market and exchange rate crisis in 2015, which popped sentiment, followed by the pandemic, and then the housing crisis.

Figure 4 QDII FUND EQUITY HOLDINGS BY MONETARY POLICY ANNOUNCEMENT



Note. The figure plots moments of the distribution of U.S.-listed firms held by QDII funds across our 63 monetary policy announcements. Panel A reports the share of investable U.S. stocks held by QDII funds on the announcement day (left scale), along with an estimated share of China's equity flows in the U.S. market relative to the size of the U.S. market (proxied by the previous year's U.S. stock market capitalization from the World Bank dataset) on the announcement days. Panel B presents a Whisker plot of the share of QDII holdings in the total number of outstanding shares by announcement day. Panel C shows the total number of shares held by QDII funds across announcement days (in millions). Panel D displays the number of U.S. investable outstanding shares issued (in millions).

households and mutual funds of the QDII program.

Figure 4 illustrates the time variation and the heterogeneity in this source of variation that represents the "treatment" in our empirical analysis. Panel A plots the share of investable U.S. firms held by QDII funds across our 63 monetary policy announcements. It shows that QDII exposure grew steadily over time, along with the size of the Chinese equity positions in the United States, reaching about 25% of the universe of U.S. firms during the pandemic.

Panel B plots a sequence of Whisker plots of the firm distribution of shares held by QDII funds in the total number of shares issued as of the last semi-annual report before the announcement day. It shows that individual U.S. firm exposure to QDII holdings was higher at the beginning

of the sample than in later periods, despite an initially smaller total quota and holdings. These distributions become more homogeneous from 2010 onward. Panels C and D help to understand these changes. Panel C plots the firm distribution of the total number of shares held by QDII funds and shows that QDII funds were initially holding a much larger number of shares in each stock than in more recent years. This is because QDII fund ownership was quite concentrated at the beginning of the program—for example, on only 73 stocks in 2008. Panel D, finally, plots a sequence of firm distributions of the total number of shares issued, showing that US equity supply also changed over time, perhaps reflecting increased issuance after the subprime crisis when debt was more expensive and then repurchases after the Fed started to implement quantitative easing.

In order to make sure that our results are not biased by time variation and heterogeneity in the treatment intensity, in our baseline analysis, we estimate specifications with a homogeneous time-invariant treatment defined as an indicator variable equal to 1 whenever the QDII holding is positive. However, we also compute this exposure both as the number of QDII held shares relative to the total number of shares issued (as in Figure 4) and as the dollar value of the QDII holding relative to the individual stock capitalization, both measured on the last reporting period before the monetary policy announcement day.

In the empirical analysis, we also control for several other threats to identification with observable variables, other events, other monetary policy shocks, different type of announcement days, trade and production linkages, and additional econometric specifications. We describe the regression specifications together with the estimation results in the next sections of the paper. We now turn to describing the data.

3.3 Data

Our data comes from several sources, primarily the Wind terminal for QDII fund stock holdings from 2007 to 2023. By regulation, QDII funds must disclose detailed holding positions semi-annually (in the second and fourth quarters) and only report their top 10 stock holdings in the first and third quarters. We merge QDII fund stock holding information with annual financial in-

formation from Thomson Reuters Worldscope using ISIN (International Securities Identification Number). Additionally, we use MSCI country-return indices from MSCI. The U.S. financial information and stock data are from Compustat and CRSP.

We obtain monetary policy announcements for the four instruments we focus on from the PBOC website. To assess and quantify the relative importance of these announcements, we analyze daily changes in 1-year interest rate swap rates (with the underlying rate being the interbank 7-day repo rate) around the announcement days. The four key policy instruments are the required reserve ratio for banks, benchmark bank deposit and lending rates, the medium-term lending facility (MLF) rate, and the 7-day reverse repo rate. We exclude announcement days that occur within five days after FOMC meetings to mitigate the impact of U.S. monetary policy. Additionally, we require that two announcements do not overlap within five days to minimize the risk of spillover treatments across nearby policy announcements. Applying these criteria over our sample period, which runs from 2008 to 2023, we identify 63 announcement days. This set of announcement days is associated with an average daily change in the 1-year interest rate swap rates (based on the underlying interbank 7-day repo rate) of minus two basis points (-0.02) and a standard deviation of 12 basis points (0.12). The series of swap rate surprises over these 63 announcements is plotted in Appendix Figure A3.

Our macro-level control variables include U.S. monetary policy shocks estimated by Acosta (2022). The VIX index from the FRED database, and commodity prices are from the IMF. Other country-level variables at the monthly frequency include the CPI inflation rate and industrial production changes, and are sourced from the World Bank Global Economic Monitor (GEM), while exchange rate data are obtained from the BIS. The definitions and sources of all variables used in the empirical analysis are reported in the Appendix Table A1. Summary statistics are presented in Appendix Table A2. We also report the correlation between our Chinese monetary policy shocks with contemporaneous US and global macro variables, such as U.S. monetary policy shocks, changes in log VIX, changes in commodity prices, and changes in A-share stock market prices across the announcement days in Appendix Table A4. Our Chinese monetary policy shocks

positively correlate only with future US monetary policy shocks, which we will carefully control for their effects.

4 MSCI Country Return Responses

In this section, we present evidence on the impact of Chinese monetary policy announcements on world stock market indexes. We start our empirical analysis by estimating the following specification, similar to that in Chari et al. (2021):

$$r_{ct} = \beta \times w_{c,t-1} * \text{MPS}_t^{\text{China}} + \text{Controls}_{c,t-1} + \varepsilon_{c,t} \tag{1}$$

where r_{ct} is the daily return on the MSCI index of country c on announcement day t, $w_{c,t-1}$ is the total QDII holding as a share of market capitalization in country c as of the last semi-annual disclosure available before the announcement day, and $\text{MPS}_t^{\text{China}}$ is the daily changes in the 1-year interest rate swap rate (based on the interbank 7-day repo rate) on announcement day t.

The set of control variables includes U.S. monetary policy shocks and global financial conditions, represented by the daily change in the VIX index, y-o-y domestic industrial production growth in the same month as the announcement day, bilateral trade flows with China as a share of the country's total trade on the same year as the announcement, daily change in commodity prices, and the lagged dependent variable. The regression also includes country and event-day fixed effects. All variable definitions are in Appendix Table A1.

Table 1 reports the results. The sample includes 55 countries in the MSCI database, excluding China, over 63 monetary policy announcement days from 2008 to 2023. The table shows that daily dollar returns on country indexes more exposed to QDII holdings react more negatively to tightening monetary policy announcements than less exposed countries. The coefficient on the interaction term between the swap rate change on the day of the monetary policy announcement and the lagged QDII fund share is negative and statistically significant in columns (1)-(3), with a significantly larger coefficient in the sub-sample of emerging market economies, which is intuitive

Table 1 MSCI COUNTRY STOCK RETURN RESPONSES ON CHINESE MONETARY POLICY ANNOUNCEMENT DAYS

	MSCI Return (USD)			MSCI Return (LC)			Exchange Rate Change		
	All Sample	AE	EME	All Sample	AE	EME	All Sample	AE	EME
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
$w_{c,t-1} * \text{MPS}_t^{\text{China}}$	-0.045***	-0.039***	-0.089***	-0.046***	-0.040***	-0.098***	0.036	0.087	0.893
	(0.011)	(0.009)	(0.034)	(0.012)	(0.010)	(0.037)	(0.283)	(0.307)	(0.825)
$w_{c,t-1} * \text{MPS}_t^{\text{US}}$	0.003	-0.002	0.013	0.006	0.003	0.014	-0.294	-0.460*	-0.431
	(0.005)	(0.007)	(0.017)	(0.006)	(0.008)	(0.018)	(0.180)	(0.241)	(0.491)
$w_{c,t-1} * \Delta \log \text{VIX}_t$	-0.021	0.078	-0.071	-0.008	-0.025	-0.038	-2.236	8.044	-5.253*
	(0.144)	(0.241)	(0.192)	(0.140)	(0.299)	(0.207)	(3.281)	(8.274)	(2.910)
$w_{c,t-1} * \Delta \log \text{Price}_t^{\text{Commodity}}$	-1.321	0.470	-4.105*	-1.476	-0.885	-3.424	24.954	122.651**	-29.756
	(1.118)	(1.518)	(2.415)	(1.159)	(1.841)	(2.515)	(30.874)	(54.264)	(46.090)
$w_{c,t-1}$	-0.013	0.011	-0.019	-0.018	-0.015	-0.023	0.459	2.245**	0.381
	(0.016)	(0.034)	(0.022)	(0.017)	(0.040)	(0.024)	(0.415)	(1.111)	(0.354)
Industrial Production	0.003	-0.001	0.003	0.003	-0.003	0.002	0.105	0.203**	0.267
	(0.004)	(0.005)	(0.008)	(0.004)	(0.005)	(0.008)	(0.086)	(0.089)	(0.209)
Trade with China	0.000	0.000	0.000	-0.000	-0.000	-0.000	0.002	0.014	-0.001
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.005)	(0.009)	(0.005)
Lagged Dep. Variable	-0.144***	-0.276***	-0.064	-0.123**	-0.251***	-0.040	-23.411***	-15.870**	-25.799**
	(0.039)	(0.055)	(0.053)	(0.049)	(0.053)	(0.068)	(7.759)	(6.882)	(10.159)
Fixed Effects					Country, Event				
Number of Events					63				
Number of Countries	55	25	30	55	25	30	55	25	30
Observations	3091	1470	1618	3040	1446	1590	3040	1446	1590
Adjusted R^2	0.374	0.510	0.326	0.379	0.514	0.343	0.283	0.545	0.206

NOTE. This regression is based on 63 events from 2008 to 2023 when the Chinese authorities announced its monetary policies. The dependent variables are the returns on (i) MSCI USD (Columns 1-3), (ii) MSCI local currency (Columns 4-6), and (iii) the bilateral exchange rate with the US (local currency per US dollar) (Columns 7-9). Independent variables include the value of stocks held by Chinese QDII funds (normalized by market capitalization) $w_{c,t-1}$, Chinese monetary policy shocks, U.S. monetary policy shocks, changes in log VIX index, changes in log commodity prices, year-over-year changes in industrial production, normalized bilateral trade with China and the lagged dependent variable. Standard errors are clustered at the country-by-event level and reported in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

because these are smaller and less liquid markets.

Consider now MSCI returns in local currency reported in Columns (4)-(6). If equity portfolio flows were to drive the financial transmission that we are studying, following a contractionary monetary announcement, China's equity outflows (or inflows in the rest of the world) should slow down. In turn, this should weaken the exchange rate of other countries and lower the local-currency-denominated stock index return in countries from which Chinese residents are divesting. This is indeed what we find in columns (4)-(6). MSCI local returns negatively respond to tightening monetary policy announcements, with a slightly larger coefficient than dollar returns, consistent with a depreciation of the local currency relative to the U.S dollar. Additionally, in columns (7)-(9), we find evidence of local currency depreciation against the dollar (an increase in Table 1) following a monetary policy tightening in China, although the effect is not statistically significant.

These estimated differential effects are statistically significant but economically small. Following a one-standard-deviation contractionary monetary policy surprise, two MSCI country indices with a one-standard-deviation difference in QDII holding shares will experience a 13.5 basis points difference in dollar returns. This price impact is calculated as follows: (i) take the 0.045 coefficient on the main interaction term in Column (1) and the standard deviation of $w_{c,t-1}$ from Appendix Table A2, which is 0.03; since the swap rate changes on announcement days are standardized for the ease of interpretation, the cross-sectional difference in return is 13.5 basis points (=0.045*0.03).

Is this estimated differential effect consistent with the magnitude of China's total foreign equity holdings in the data described in Section 2? A back-of-the-envelope calculation suggests that the estimated effect might overestimate the price effect of China's holdings on country indexes. Assuming a market multiplier of 5 as in Gabaix and Koijen (2021), observing a price impact differential of 13.5 basis points requires a QDII holding differential of $0.027\% = 0.135\%/5$ of world market capitalization. With the world market cap being about US$100 trillion in 2023, the 13.5 bps price impact requires a cross-country holding change in response to the typical monetary policy announcement of 0.027%*US$100 trillion or US$27 billion. Recalling that China's officially recorded worldwide private portfolio holdings was about half a trillion at the end of 2023 accord-

ing to IMF survey data (i.e., excluding the CIC and SAFE sovereign wealth funds holdings), the calculation suggests that we might be overestimating this effect, as it implies a portfolio equity repatriation in excess of 5% following a tightening announcement, but not by a huge margin.

5 Individual U.S. Stock Return Responses

We now turn our attention to individual stocks listed in the United States. The regression specification for the empirical analysis is as follows.

$$r_{it} = \beta \times w_{i,t-1} * \text{MPS}_t^{\text{China}} + \text{Controls}_{i,t-1} + \varepsilon_{i,t}, \tag{2}$$

where r_{it} is the return of individual U.S. stock i on day t, $w_{i,t-1}$ is the QDII holding exposure of stock i as of the last QDII fund reporting period before the announcement t. The variable $\text{MPS}_t^{\text{China}}$ is the 1-year swap rate change (based on the interbank 7-day repo rate) on the announcement day t, which we may call monetary policy surprise or shock.

The set of control variables is similar in spirit to the one used in the MSCI index-level analysis, but takes into account the individual-stock level nature of the analysis. For example, we control for the nearest realized U.S. monetary policy shock before the announcement, the contemporaneous daily change in the (log) VIX index, and the contemporaneous daily change in a nominal commodity price index. We omit macroeconomic control variables whose information is also captured by the aggregate stock market return. In addition, we also control for individual observable stock characteristics, including firm size, market beta, turnover, and past one-month return, which are standard in individual stock return regressions. To control for unobservable stock characteristics, we include firm fixed effects in our regression. Additionally, we include industry–event-day fixed effects to control for heterogeneous industry sensitivities to Chinese monetary policy (e.g., construction vs. finance), thereby accounting for the production network effects documented by Shieh and Sanyal (2024), who show global spillovers of Chinese monetary policy through the production network using industry-level returns and input–output data.

We consider two definitions of excess returns. The first, used in our baseline results, is the cumulative abnormal return of the CAPM model. The second, used as a robustness check, is the cumulative return in excess of the U.S. market return represented by the value-weighted index with dividends, excluding American Depository Receipts (ADRs). We start cumulating returns one day before the announcement to provide some (admittedly limited) evidence on the pre-trend assumption, and stop five trading days afterwards. Starting to accumulate returns more than one day before the announcements would result in several cases of multiple monetary policy announcements affecting the day event, because we are focusing on multiple instruments, or significantly limiting the number of announcements in our sample.

Importantly, QDII fund exposure is measured in three different ways. First, with an indicator variable equal to 1 when stock i is held in any QDII fund that captures a homogeneous extensive margin of exposure as in Panel A of Figure 4. Second, as the total number of QDII shares of firm i held by QDII fund portfolios relative to the total number of shares outstanding, as in Figure 4 that captures time-variation and cross-sectional heterogeneity in the intensity of treatment. Third and finally, as the nominal dollar value of the QDII holding relative to the market capitalization outstanding of firm i, which also captures the intensity of treatment. As we have noted before, the one-period lag notation denotes the last reported period before the announcement day t. Our baseline results use the extensive exposure measures, as we do not observe the true total Chinese flows into *individual* U.S. stocks but only the QDII holdings as a proxy. The intensive measures, therefore, might be more prone to measurement. As we have discussed earlier, the time and cross-section variation of exposure within QDII holding is also affected by several factors pushing measured intensity in different directions.

5.1 Baseline Results

The first row in Table 2 reports the estimation results for the main parameter of interest. Our baseline results are for cumulative abnormal stock returns and the dummy indicator for QDII exposure. Results for cumulative excess returns relative to the U.S. market return are reported in Appendix

Table 2 INDIVIDUAL U.S. STOCK RETURN RESPONSE ON CHINESE MONETARY POLICY ANNOUNCEMENT DAYS

	[-1, -1] (1)	[-1, 0] (2)	[-1, 1] (3)	[-1, 2] (4)	[-1, 3] (5)	[-1, 4] (6)	[-1, 5] (7)
$1^{\text{China}}_{i,t-1} \times \text{MPS}^{\text{China}}_t$	-0.001	-0.001	-0.006***	-0.004**	-0.006***	-0.005***	-0.007***
	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)	(0.002)	(0.002)
$1^{\text{China}}_{i,t-1} \times \text{MPS}^{\text{US}}_t$	-0.000	0.002**	0.003**	0.001	0.000	-0.003**	-0.003*
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)
$1^{\text{China}}_{i,t-1} \times \Delta \log \text{VIX}_t$	-0.003	-0.006	0.009	-0.003	-0.008	0.016	0.021*
	(0.006)	(0.007)	(0.008)	(0.010)	(0.010)	(0.011)	(0.011)
$1^{\text{China}}_{i,t-1} \times \Delta \log \text{Price}^{\text{Commodity}}_t$	-0.125*	-0.104	0.009	-0.071	-0.101	-0.009	0.027
	(0.066)	(0.078)	(0.091)	(0.107)	(0.116)	(0.125)	(0.134)
$1^{\text{China}}_{i,t-1}$	-0.010***	-0.011***	-0.015***	-0.009*	0.001	0.001	-0.002
	(0.003)	(0.004)	(0.005)	(0.006)	(0.006)	(0.007)	(0.007)
Size	-0.010***	-0.014***	-0.025***	-0.032***	-0.036***	-0.039***	-0.034***
	(0.001)	(0.002)	(0.002)	(0.003)	(0.003)	(0.003)	(0.004)
β^{US}	0.002	-0.003	-0.007*	-0.009**	-0.005	-0.010**	-0.003
	(0.002)	(0.003)	(0.004)	(0.004)	(0.004)	(0.005)	(0.005)
Turnover	0.000	0.000**	0.000**	0.000***	0.001***	0.001***	0.001***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Past One-month Return	0.005**	0.013***	0.018***	0.023***	0.025***	0.028***	0.033***
	(0.002)	(0.004)	(0.005)	(0.006)	(0.006)	(0.006)	(0.007)
Constant	0.099*	0.029	0.156	0.201	0.215	0.231	0.052
	(0.056)	(0.096)	(0.117)	(0.141)	(0.142)	(0.152)	(0.171)
Number of Events				63			
Fixed Effects				Firm, Industry×Time			
Observations	297025	297025	297025	297025	297025	297025	297025
Adjusted R^2	0.685	0.672	0.681	0.657	0.664	0.655	0.657

NOTE. The dependent variable is the cumulative abnormal return (based on the CAPM model) for individual stocks listed in the U.S. market. Day 0 represents Chinese monetary policy announcement days, and we use 63 events. The independent variables include a dummy variable for stocks held by Chinese QDII funds based on the latest available information, Chinese monetary policy shocks, U.S. monetary policy shocks, daily changes in the log VIX index, daily changes in the log commodity price index, size, market beta, turnover, and the past one-month return. We include firm and industry-by-event fixed effects. All standard errors are clustered at the firm level and reported in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

Table A5. The results based on the exposure variable computed using the number of shares are reported in Appendix Table A6. In an unreported specifications, we also use the holding shares based on values as the exposure variable. The results are consistent but statistically less precise. The interaction term between the exposure dummy and the monetary policy shock is statistically insignificant and economically close to zero in columns (1) and (2), which suggests that we are not violating the parallel trend assumption. This is plausible because of both time-zone differences and the fact that both most passive and active funds tend to rebalance the day after a macro news.

Starting from the first day after the announcement (day +1 in column 3), the coefficient on the interaction term becomes statistically significant and negative, without further changes through

the 5^{th} trading day after the announcement. The estimated price differential between exposed and non-exposed stocks is 60 basis points, materializing on the first trading day after the announcement and seemingly persisting at least for the following few days. These results are consistent with the MSCI index return analysis in Table 1, suggesting a greater impact on individual stocks exposed to the index compared to the effects at the country index level.

5.2 Sub-sample Analysis

Next, we explore the drivers of the main results by examining effects in specific subsamples. For ease of exposition, Table 3 reports results based on the three-day cumulative abnormal return [-1, 1], calculated using the CAPM, on policy announcement days.

Our first set of sample splits explores which firms drive our baseline results. Columns (1)-(6) clearly illustrate that the estimated price impact differential in the full sample of U.S. stocks is driven by smaller firms, less liquid stocks, and, to a lesser extent, low-turnover stocks. This is in line with the idea that China's foreign portfolio flows will have a larger price impact, the more limited the market's ability to absorb them.

A second set of sample splits addresses the concern that our baseline results might be driven by Chinese firms such as Alibaba, which may be more sensitive to changes in Chinese monetary policy, or by stocks more broadly exposed to the mainland economy. To test this, we divide the sample based on listing exchanges, since most Chinese firms are listed in the U.S. as ADRs. The results in Columns (7) and (8) of Table 3 are mixed. If our findings were entirely driven by Chinese firms and ADRs, we would expect statistically significant coefficients only in the ADR sample. Instead, we find that the interaction term is also statistically significant for regular stocks, though the coefficient is notably smaller. The price impact thus extends to U.S.-domiciled stocks, which is reasonable given the strong diversification demand of Chinese private investors, who are interested in major U.S. companies such as Apple and Tesla, as well as equities in the S&P 500 index.

The next sample split addresses the concern that our baseline results might be driven by the real channel of international transmission of Chinese monetary policy. In columns (9) and (10),

Table 3 INDIVIDUAL US STOCK RETURNS ON CHINESE MONETARY POLICY ANNOUNCEMENT DAYS: SUB-SAMPLE ANALYSIS

	A: Size		B: Illiquidity		C: Turnover		D: Listed Exchange		E: β^{China}		F: Foreign Sales	
	Small (1)	Large (2)	Low (3)	High (4)	Low (5)	High (6)	Regular (7)	ADR (8)	Low (9)	High (10)	Low (11)	High (12)
$1^{\text{China}}_{i,t-1} \times \text{MPS}^{\text{China}}_t$	-0.011***	-0.000	0.000	-0.012***	-0.006***	-0.004**	-0.004***	-0.012**	-0.004**	-0.007***	-0.006***	0.004
	(0.002)	(0.002)	(0.002)	(0.003)	(0.002)	(0.002)	(0.001)	(0.006)	(0.002)	(0.002)	(0.001)	(0.003)
$1^{\text{China}}_{i,t-1} \times \text{MPS}^{\text{US}}_t$	0.006***	-0.001	-0.004***	0.008***	0.002	0.003*	0.002*	0.001	-0.001	0.005**	0.004***	0.002
	(0.002)	(0.001)	(0.001)	(0.002)	(0.002)	(0.002)	(0.001)	(0.003)	(0.002)	(0.002)	(0.001)	(0.003)
$1^{\text{China}}_{i,t-1} \times \Delta \log \text{VIX}_t$	-0.034**	0.048***	0.049***	-0.044***	0.001	0.009	0.011	-0.011	0.030***	-0.012	-0.008	0.034**
	(0.014)	(0.008)	(0.008)	(0.014)	(0.010)	(0.014)	(0.009)	(0.026)	(0.011)	(0.015)	(0.011)	(0.014)
$1^{\text{China}}_{i,t-1} \times \Delta \log \text{Price}^{\text{Commodity}}_t$	-0.184	0.128	0.229**	-0.277*	0.199*	-0.234	-0.004	0.210	0.171	-0.002	-0.107	0.141
	(0.160)	(0.091)	(0.094)	(0.159)	(0.113)	(0.160)	(0.095)	(0.311)	(0.129)	(0.150)	(0.114)	(0.108)
$1^{\text{China}}_{i,t-1}$	-0.022	-0.017***	-0.018***	-0.027	-0.018**	-0.017***	-0.016***	-0.006	-0.018***	-0.010	-0.013***	-0.016**
	(0.016)	(0.006)	(0.005)	(0.017)	(0.008)	(0.005)	(0.005)	(0.017)	(0.005)	(0.006)	(0.005)	(0.008)
Size	-0.020***	-0.034***	-0.028***	-0.018***	-0.019***	-0.028***	-0.026***	-0.016**	-0.020***	-0.028***	-0.023***	0.002
	(0.004)	(0.004)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.007)	(0.003)	(0.003)	(0.003)	(0.005)
β^{US}	0.000	-0.020***	-0.020***	-0.001	-0.002	-0.005	-0.005	-0.003	-0.013***	-0.001	-0.006*	-0.017
	(0.005)	(0.004)	(0.004)	(0.005)	(0.005)	(0.004)	(0.004)	(0.009)	(0.004)	(0.004)	(0.004)	(0.012)
Turnover	0.000***	-0.000**	-0.000	0.000**	-0.000	-0.000	0.000	-0.000***	0.000***	0.000	0.000*	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.001)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Past One-month Return	0.018***	0.019***	0.027***	0.017***	0.016**	0.016**	0.019***	0.005	0.025**	0.014***	0.018***	0.013
	(0.005)	(0.005)	(0.006)	(0.006)	(0.007)	(0.007)	(0.005)	(0.007)	(0.012)	(0.005)	(0.004)	(0.014)
Constant	-0.007	0.406***	0.109	0.009	-0.068	0.086	-0.015	0.043	-0.065	0.269**	0.124	-0.273
	(0.142)	(0.139)	(0.154)	(0.156)	(0.153)	(0.152)	(0.117)	(0.175)	(0.254)	(0.130)	(0.107)	(0.351)
Observations	147850	148117	148322	147619	147507	148042	236063	60554	147909	148242	252365	44073
Adjusted R^2	0.676	0.761	0.761	0.674	0.703	0.718	0.695	0.639	0.723	0.690	0.702	0.806
Fixed Effect	Firm, Industry×Time											
Event	63											

NOTE. The dependent variable is the 3-day cumulative abnormal return (based on the CAPM model) for individual U.S. stocks, with Day 0 representing Chinese monetary policy announcement days across 63 events. Panel A divides firms by size. Panel B divides firms based on the Amihud illiquidity measures. Panel C divides firms by turnover. Panel D divides stocks based on their listed exchanges, such as regular stocks versus ADRs. Panel E divides stocks based on their beta with the Shanghai market index, and Panel F by the share of foreign sales. Except for Panel D, all the subsample divisions are conditional on whether the stocks are held by QDII funds, using information prior to each event. The independent variables include a dummy variable for stocks held by Chinese QDII funds based on the latest available information, Chinese monetary policy shocks, U.S. monetary policy shocks, daily changes in the log VIX index, daily changes in the log commodity price index, size, market beta, turnover, and the past one-month return. We include firm and industry-by-event fixed effects. All standard errors are clustered at the firm level and reported in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

we sort U.S. regular stocks based on their β^{China} with respect to the Chinese market, assuming that exposure to the Chinese market might be a systematic factor affecting U.S. stock returns. This exercise addresses concerns about the macroeconomic linkages between U.S. stocks and the Chinese economy. For example, a Chinese monetary policy change may affect the Chinese stock market, which could mechanically impact U.S. stocks with high β^{China}. If this were driving our results, we would expect significance only among high-β^{China} stocks. Instead, we find that our results hold in both high- and low-β^{China} sub-samples, suggesting that our main findings are not driven by this channel.

Our last sub-sample sorts all stocks based on a firm's share of foreign sales in total sales. If the trade channel of monetary policy transmission were to drive our results, we would expect our coefficient estimates to be significant only in the high-foreign-sales subsample. In contrast, our results are significant only in the low foreign sales subsample, while the coefficient in the high foreign sales subsample is statistically insignificant and has the opposite sign, strengthening our confidence in the baseline results.

5.3 Robustness

We examine the robustness of our results by addressing five sets of issues. First, we test whether the baseline results are sensitive to sample selection. Second, we re-estimate the benchmark specification using continuous, time-varying, and heterogeneous treatments. Next, we conduct event studies on dates when QDII fund quotas were relaxed and during the Chinese Spring Festival to assess whether the transmission of other shocks unambiguously originating from China yields similar effects. Finally, we perform additional robustness tests to address identification concerns.

Sample Selection

We pay special attention to possible sample selection issues. Chinese QDII funds have held 2,375 U.S.-listed stocks out of 10,491 investable equities (including 732 ADRs, of which 243 ADRs were held by the QDII funds) at a point in time during our sample period. Many QDII funds are passive

and track the major U.S. indexes like the S&P 500, and this may affect the results. To address this potential problem, we match the sample of treated stocks to their control group based on size, turnover, and market beta. The final matched sample includes 2,359 U.S. stocks held by Chinese QDII investors, compared to 5,231 U.S. stocks not exposed to QDII funds. As Appendix Table A7 shows, our matched sample eliminates differences between QDII-held and non-QDII-held stocks along these firm characteristics. We then assess the robustness of our results in Appendix Table A8, finding that the baseline estimation results are robust.

Continuous QDII Exposure

In this section, we rerun our baseline results using a continuous measure of exposure to QDII funds, which is the number of shares held relative to the total number of shares issued. Results are similar when we use the nominal dollar value held by QDII funds normalized by a stock's market capitalization. Since the numerator and the denominator of this second continuous measure include valuation effects that might not cancel out, the first measure is preferable. Moreover, the two measures are highly correlated.

Table A6 reports the estimation results that are broadly consistent with our baseline findings using the extensive measure in Table 2. On Chinese tightening monetary policy announcement days, U.S. stocks more intensively exposed to Chinese QDII funds decline more than other stocks (including but not limited to stocks not held by Chinese QDII funds). However, the differential price impact is estimated less precisely, and the results are much less persistent. Average treatment effects might be lower and harder to estimate precisely in the presence of time-varying and highly heterogeneous treatment effects, as illustrated in Figure 4.

Because we do not observe the true underlying Chinese flows into U.S. stocks and only use QDII holdings as a proxy, our intensive measure may suffer from greater measurement errors compared to the extensive measure used in the baseline results. As a result, the results based on the continuous exposure can be seen as a lower bound on the cross-sectional impact of QDII holdings following monetary policy announcements.

QDII Quota Expansion

Regulators periodically approve increases in the size of the QDII program (Figure 2). If our documented channel exists, we would expect QDII quota relaxation dates to have a measurable impact on U.S. financial markets. The reasoning is that larger quotas permit greater private capital outflows through the QDII program, which should boost the prices of stocks purchased by Chinese investors. To test this hypothesis, we conducted an event study around QDII quota relaxation dates. Since regulators publish only monthly aggregate quota information, we collected quota changes at the individual QDII fund level. Specifically, we first identify 43 months in which aggregate quotas increased using SAFE data. We then use individual QDII fund disclosures to determine the first date in each of those months when a fund's quota was increased, yielding 43 event dates.

Using these 43 dates, we conduct an event study comparing QDII fund–held stocks with non–QDII fund–held stocks in the U.S. market, based on the dummy variable used in our benchmark specification, constructed using the latest available QDII holdings prior to the event. Results, reported in Appendix Table A17, show that QDII fund–held stocks experience significantly larger price increases than non–QDII fund–held stocks. Notably, the effect materializes within three days of quota relaxation and persists for more than ten days. These findings provide consistent evidence that Chinese private flows can exert a meaningful price impact in the U.S. market.

Spring Festivals

To further assess the robustness of our findings, we conduct event study in the run-up to the annual Chinese Spring Festival, similar to our baseline for monetary policy announcement days. The Spring Festival is the most important national holiday in China and generates a spike in liquidity demand for travel and celebration expenses. We therefore expect withdrawals from QDII funds in the run-up to the holiday and a possible impact on individual U.S. stocks exposed to QDII holdings.

Table A18 reports the results. Settlement of QDII fund redemptions typically takes three trading days because they are skewed toward foreign markets. Denoting with zero the sixth day before the actual New Year's Day, we estimate the model six trading days before the event and four trading

days afterwards, with New Year's Day denoted [-1, 6] in Table A18.

The results confirm that stocks held by QDII funds experience more negative returns prior to the Chinese New Year. However, it is challenging to pinpoint the onset of the impact. In fact, the 1_{t-1}^{China} coefficient is significantly negative even seven trading days before the event. More interestingly, the magnitude of the coefficients continues to increase until the Chinese New Year (day 0) and then starts to taper somewhat. This is consistent with Chinese investors' cash demand increasing before the holidays and creating redemption pressure on QDII funds, which in turn may lead to negative returns on U.S. stocks, consistent with our analysis of monetary policy announcement days.

Addressing Additional Concerns on Identification

We further conduct additional robustness tests to address identification concerns. The first set relates to the exogeneity of our Chinese monetary policy shocks. One concern is that Chinese monetary policy may be correlated with other shocks. In our baseline regressions, we carefully control for major macroeconomic shocks. In Appendix Table A4, we also examine the correlations between our Chinese monetary policy shocks and U.S. and global macro variables, including U.S. monetary policy shocks, changes in the log VIX, changes in commodity prices, and changes in A-share market prices, across the 63 announcement days. Our shocks are positively correlated only with future U.S. monetary policy shocks. Accordingly, in Appendix Table A9, we control for the interaction between QDII exposure and future U.S. monetary policy shocks, and the results remain robust. Similarly, in Appendix Table A10, we conduct a similar exercise with future commodity price changes, following Miranda-Agrippino et al. (2020), who document that Chinese monetary policy has stronger effects on future commodity prices; our results again hold. We also perform a subsample analysis before and after 2015 in Appendix Table A16, as the variance of Chinese monetary policy shocks declines after 2015, and find that our results remain robust. Finally, in Appendix Table A11, we use an alternative quarterly Chinese monetary policy shock series from Chen et al. (2018) as an additional check. To ensure consistency, we cumulate one-day abnormal returns across all announcement days within a quarter, replace our daily monetary policy

shocks with the quarterly series, and interact this with U.S. stock exposure to QDII fund holdings (measured as a dummy equal to one if the stock is held by QDII funds in the most recent semi-annual disclosure period before the quarter). Control variables are adjusted to quarterly frequency. The results remain robust.

The second set of concerns relates to the non-random assignment of the pre-shock QDII holdings used as the exposure variable. Although our propensity score matching addresses this issue, we conduct additional analyses. Specifically, we control for observable characteristics that may influence QDII share selection by augmenting our specifications with interaction terms between Chinese monetary policy shocks and firm-level characteristics, following Roberts and Whited (2013), as reported in Appendix Table A12. We also account for the role of index membership by including an interaction term between Chinese monetary policy shocks and an S&P 500 membership dummy in Appendix Table A13. In both cases, our results remain robust.

The final set of concerns relates to whether our documented results are driven by the real channel of Chinese monetary policy transmission. Although we have conducted multiple robustness checks above, we extend the analysis further. First, using the WIND database definition of China Concept Stocks, we identify 84 such stocks held by QDII funds in our sample (out of 2,372 U.S.-listed stocks—2,132 on regular exchanges and the remainder as ADRs) and conduct a subsample test restricted to regular non–China Concept stocks (Appendix Table A15). Second, we incorporate firm-level sales information by identifying U.S. firms that report sales to China and control for this effect through an interaction term between a China-sales dummy and Chinese monetary policy shocks (Appendix Table A14). Our results remain robust under both exercises. In addition, we attempt to account for the FDI channel from China as another dimension of China-related firm fundamentals. While firm-level FDI data are unavailable, we construct country-level ODI (outward direct investment) from China, normalized by China's total ODI, and interact it with Chinese monetary policy shocks as a robustness check. The results, reported in Appendix Table A19, again confirm the robustness of our findings.

6 Mechanism

In this section, we explore the mechanisms underlying the country- and stock-level return results, focusing primarily on household and fund manager rebalancing.

6.1 Households Rebalancing

Households may rebalance from riskier to less risky assets following contractionary Chinese monetary policy announcements because of increased risk aversion, heightened demand for liquidity, or a combination of both. This rebalancing can lead to outflows (redemptions) from QDII funds, particularly those heavily invested in stocks. To assess this possibility, we investigate the responses of flows into QDII funds to Chinese monetary policy shocks.

We focus on QDII funds that invest in equities or bonds ("equity," "hybrid," and "bonds" only funds), excluding "alternatives" funds that primarily invest in commodities, gold, and REITs (real estate). Our sample includes 220 non-alternative QDII funds: 155 equity funds, 57 hybrid funds (which invest in both equities and bonds), and 8 bond-only funds. Among the 155 equity funds, 42 are actively managed and 113 are passive. There are no passive hybrid or bond funds.[10]

To implement the analysis, we use the QDII funds' quarterly balance information, calculating flow into fund f in quarter t as in Chevalier and Ellison (1997) and Sirri and Tufano (1998):

$$\text{Fund flows}_{f,t} = \frac{\text{TNA}_{f,t} - (1 + \text{Ret}_{f,t}) \times \text{TNA}_{f,t-1}}{\text{TNA}_{f,t-1}} \tag{3}$$

where $\text{TNA}_{f,t}$ represents the total net assets (TNA) of fund f in quarter t, and $\text{Ret}_{f,t}$ denotes the split- and dividend-adjusted return of fund f in that quarter. This fund flow construction method assumes that inflows and outflows occur at the end of quarter t and that investors reinvest the dividends they receive in the same fund, a standard assumption in the literature.

[10]The passive funds typically track indexes such as the S&P 500 or NASDAQ. These are often referred to as index funds. In contrast, active funds employ trading strategies that focus on specific industries, such as pharmaceuticals or technology.

The regression specification is the following.

$$\text{Fund flows}_{f,t} = \beta \times \text{MPS}_t^{\text{China}} + \text{Controls}_{ft} + \varepsilon_{ft} \tag{4}$$

Here, we include a similar set of control variables as in the price-impact regressions, such as contemporaneous U.S. monetary policy shocks, changes in (log) VIX index, and changes in (log) commodity prices. Since this fund flow data is disclosed at a quarterly frequency, we aggregate all variables at this frequency, including the swap rate changes, adding the corresponding daily observations within the quarter. Following the fund flow literature, we also include lagged fund flows and lagged fund returns as controls. The regression includes fund fixed effects to account for time-invariant heterogeneity.

The conjecture is that, if households rebalance from riskier to safer assets in response to a contractionary Chinese monetary policy announcement, we should see equity funds experiencing bigger outflows than bond funds. Indeed, Table 4 shows that both active and passive equity funds experience outflows in quarters in which Chinese monetary policy is contractionary. At the same time, bond funds see some inflows, although the effect is not statistically significant given the very small number of funds. The effect is strongest for active funds. The interpretation of the response of the hybrid funds is more difficult, given that rebalancing toward less risky assets can be enacted by the manager rather than household withdrawals. The results, therefore, align with the idea that Chinese households may reallocate from equity to bond funds, as in a reverse yield-seeking channel of monetary policy transmission.

In the above analysis, we have assumed that households are the primary investors in QDII funds. This assumption is reasonable, as retail investors account for 79% of QDII fund investors during our sample period according to fund disclosures, consistent with the dominant role of retail investors in the Chinese financial market (Tan et al. 2023). Accordingly, the international transmission mechanism of Chinese monetary policy shocks that we document, driven by private flows, is largely retail-driven. To study this further, we classify fund flows by retail and institutional

Table 4 FUND FLOWS AND MONETARY POLICY AT QUARTERLY FREQUENCY

	Active			Passive
	Equity	Hybrid	Bond	Equity
	(1)	(2)	(3)	(4)
MPS_t^{China}	-0.102***	-0.117***	0.014	-0.030
	(0.036)	(0.035)	(0.075)	(0.045)
MPS_t^{US}	-0.020**	-0.037**	0.006	-0.030***
	(0.009)	(0.014)	(0.045)	(0.011)
$\Delta \log VIX_t$	0.010	-0.006	-0.153	0.174***
	(0.035)	(0.018)	(0.171)	(0.050)
$\Delta \log Price_t^{Commodity}$	0.130	0.214**	-1.130**	-0.123
	(0.120)	(0.099)	(0.462)	(0.126)
Fund $Return_{t-1}$	0.002	0.005***	0.014**	-0.002
	(0.002)	(0.001)	(0.006)	(0.002)
Fund $Flow_{t-1}$	-0.009	-0.020	0.001	0.001
	(0.007)	(0.019)	(0.017)	(0.014)
Constant	0.082***	0.030***	0.163***	0.122***
	(0.003)	(0.002)	(0.014)	(0.005)
Fixed Effect		Fund		
Number of Funds	42	57	8	113
Observations	1072	1342	197	1567
R^2	0.081	0.095	0.084	0.139

NOTE. The dependent variable is the fund flow, constructed as in equation (3) for each QDII fund in each quarter. Independent variables include Chinese monetary policy shocks, U.S. monetary policy shocks, changes in the log VIX index, log commodity prices, past mutual fund returns, and past fund flows. Columns 1–4 report results for active equity, active hybrid, active bond, and passive equity funds, respectively. Standard errors are clustered at the fund level and reported in parentheses. *, ** and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

investor composition using QDII fund semi-annual disclosures and examine whether retail flows respond more strongly to Chinese monetary shocks. Appendix Table A20 reports the results. We find that retail investors are more sensitive to contractionary Chinese monetary policy than institutional investors in both active equity and hybrid funds, while no significant difference is observed for passive equity or active bond funds. These findings suggest that mainland investors, especially retail investors, are particularly responsive to equity fund rebalancing induced by monetary policy shifts. Overall, our evidence indicates that the international transmission channel of Chinese monetary policy is retail-driven, in contrast to the U.S. monetary policy transmission channel.

6.2 Manager Rebalancing

Mutual fund managers can also respond to monetary policy changes, either reinforcing or trying to offset the impact of households' flows (Bush and Canón, 2025). This is especially the case for active funds, but, in principle, passive fund managers can also pursue strategies that aim to mitigate the impact of withdrawals, such as using their cash holdings or, if permitted, leveraging their positions. We examine this possibility by analyzing how the share of different asset classes, relative to the previous period's total net assets, responds to monetary policy changes within each fund category.[11]

For this purpose, we estimate the following specification:

$$\frac{\Delta x_{f,t}}{TNA_{ft-1}} = \beta \times \text{MPS}_t^{\text{China}} + \text{Controls}_{f,t} + \varepsilon_{f,t} \tag{5}$$

where $\frac{\Delta x_{f,t}}{TNA_{ft-1}}$ is the quarterly change in the portfolio share of different asset classes, including stocks, bonds, mutual funds, bank deposits, and other assets in the total net assets of fund f in quarter $t-1$. The set of control variables is the same as in the specification (4), including contemporaneous U.S. monetary policy shocks, changes in (log) VIX index, and changes in (log) commodity prices. As before, we include lagged fund returns and lagged fund flows, as well as fund fixed effects.

Table 5 reports the results. We find that all types of funds reduce equity holdings when monetary policy is tighter, especially active equity and hybrid funds. In the portfolio of active equity funds, the share of all asset classes declines, including cash, clearly pointing to redemptions. Active hybrid funds also see cash holdings decline, but show some sign of rebalancing toward bonds. However, these effects are not statistically significant. In contrast, all changes in response to Chinese monetary policy tightening in the portfolio shares of passive equity and active bond funds are not statistically significant. However, in passive equity funds, the share of equity in previous-period total assets significantly declines in response to US monetary policy changes. We conclude from

[11] By regulation, QDII funds must disclose their holdings by broad asset category each quarter.

Table 5 QDII FUND MANAGER REBALANCING TO CHINESE MONETARY POLICY SHOCKS: QDII FUND-LEVEL RESULTS

	$\frac{\Delta\text{Stock}_t}{\text{TNA}_{t-1}}$	$\frac{\Delta\text{Bond}_t}{\text{TNA}_{t-1}}$	$\frac{\Delta\text{Cash}_t}{\text{TNA}_{t-1}}$	$\frac{\Delta\text{Other Asset}_t}{\text{TNA}_{t-1}}$	$\frac{\Delta\text{Stock}_t}{\text{TNA}_{t-1}}$	$\frac{\Delta\text{Bond}_t}{\text{TNA}_{t-1}}$	$\frac{\Delta\text{Cash}_t}{\text{TNA}_{t-1}}$	$\frac{\Delta\text{Other Asset}_t}{\text{TNA}_{t-1}}$
	A: Active Equity Funds (42)				B: Passive Equity Funds (113)			
$\text{MPS}_t^{\text{China}}$	-6.064**	-0.015*	-1.967***	-0.931	-1.494	-0.003	-0.217	-0.056
	(2.242)	(0.008)	(0.564)	(0.601)	(3.166)	(0.003)	(0.841)	(0.572)
MPS_t^{US}	-2.732***	0.001	0.256	-0.344	-3.210***	-0.003	-0.547***	-0.383**
	(0.665)	(0.006)	(0.348)	(0.221)	(0.850)	(0.002)	(0.187)	(0.171)
$\Delta\log\text{VIX}_t$	-14.680***	0.020	0.900	-1.969**	1.063	0.020	2.065**	-0.867
	(2.502)	(0.046)	(0.984)	(0.892)	(3.697)	(0.021)	(0.851)	(0.556)
$\Delta\log\text{Price}_t^{\text{Commodity}}$	17.954***	0.205*	0.791	2.547	-2.019	0.090	-3.036	-2.287*
	(5.790)	(0.111)	(2.685)	(1.606)	(8.504)	(0.091)	(1.851)	(1.226)
Fund Return_{t-1}	0.261**	-0.003*	0.118***	-0.041	-0.235*	0.001	-0.021	-0.042*
	(0.117)	(0.001)	(0.030)	(0.053)	(0.127)	(0.001)	(0.025)	(0.022)
Fund Flow_{t-1}	-0.664	0.001	-0.285	-0.083	0.702	0.002	-0.510*	-0.136
	(0.597)	(0.001)	(0.169)	(0.171)	(1.145)	(0.002)	(0.278)	(0.106)
	C: Active Hybrid Funds (57)				D: Active Bond Funds (8)			
$\text{MPS}_t^{\text{China}}$	-8.392***	0.026	-0.983	-0.458	-0.230	-0.408	-1.516	0.549
	(2.193)	(0.018)	(0.639)	(0.368)	(0.268)	(1.008)	(1.970)	(1.111)
MPS_t^{US}	-4.864***	0.053	-0.484	-0.330**	-0.113	0.959	-1.232	0.188
	(1.112)	(0.065)	(0.395)	(0.143)	(0.082)	(1.206)	(1.092)	(0.526)
$\Delta\log\text{VIX}_t$	-14.332***	-0.031	1.705*	-0.797	-0.434	-7.673**	2.330	-4.872
	(1.537)	(0.034)	(0.900)	(0.583)	(0.383)	(3.109)	(2.165)	(3.135)
$\Delta\log\text{Price}_t^{\text{Commodity}}$	17.850**	-0.101	1.246	-0.481	-0.654	-28.160**	-13.727*	-2.697
	(7.229)	(0.123)	(2.453)	(1.109)	(0.931)	(8.439)	(6.903)	(7.698)
Fund Return_{t-1}	0.294***	0.000	0.171***	0.024**	0.042	0.404**	0.155*	0.305
	(0.105)	(0.002)	(0.036)	(0.011)	(0.026)	(0.146)	(0.081)	(0.210)
Fund Flow_{t-1}	-1.388	-0.001	-0.185	-0.013	0.026	1.141	-1.078***	0.157
	(1.380)	(0.015)	(0.553)	(0.118)	(0.017)	(0.618)	(0.274)	(0.139)

NOTE. The dependent variable is the quarterly change of asset values (normalized by net asset value in the previous quarter), constructed as in equation (5) for each QDII fund in each quarter. We report stock, bond, cash, and other assets. The independent variables include Chinese monetary policy shocks, U.S. monetary policy shocks, changes in the log VIX index, changes in log commodity prices, and mutual fund returns. We control for fund fixed effects. Standard errors are clustered at the fund level and are reported in parentheses.*, ** and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

this evidence that mutual fund managers choose not to (or cannot) offset household withdrawals.

7 Conclusions

In this paper, we identify and estimate the impact of China's private equity holdings on country indexes and individual stock returns on Chinese monetary policy announcement days. We find that the return of MSCI country indexes and U.S. individual stocks that are exposed to Chinese QDII fund holdings fall more in response to tightening monetary policy announcements than non-exposed stocks.

We also find that household portfolio rebalancing is consistent with these estimated impacts. This finding contrasts with the available evidence of U.S. influence on world stock markets, which tends to operate through institutional investors, particularly global banks and intermediaries.

These effects illustrate the potential influence on international equity markets of China's process of gradual liberalization of private portfolio equity flows. Exploring the implications for cross-border equity flows dynamics driven by a retail investor base is an interesting area of future research, as sentiment and behavioral biases likely drive retail and institutional investors differently. Another interesting area of future research is estimating the demand elasticity of Chinese private equity investors, comparing it with that of other international private investors.

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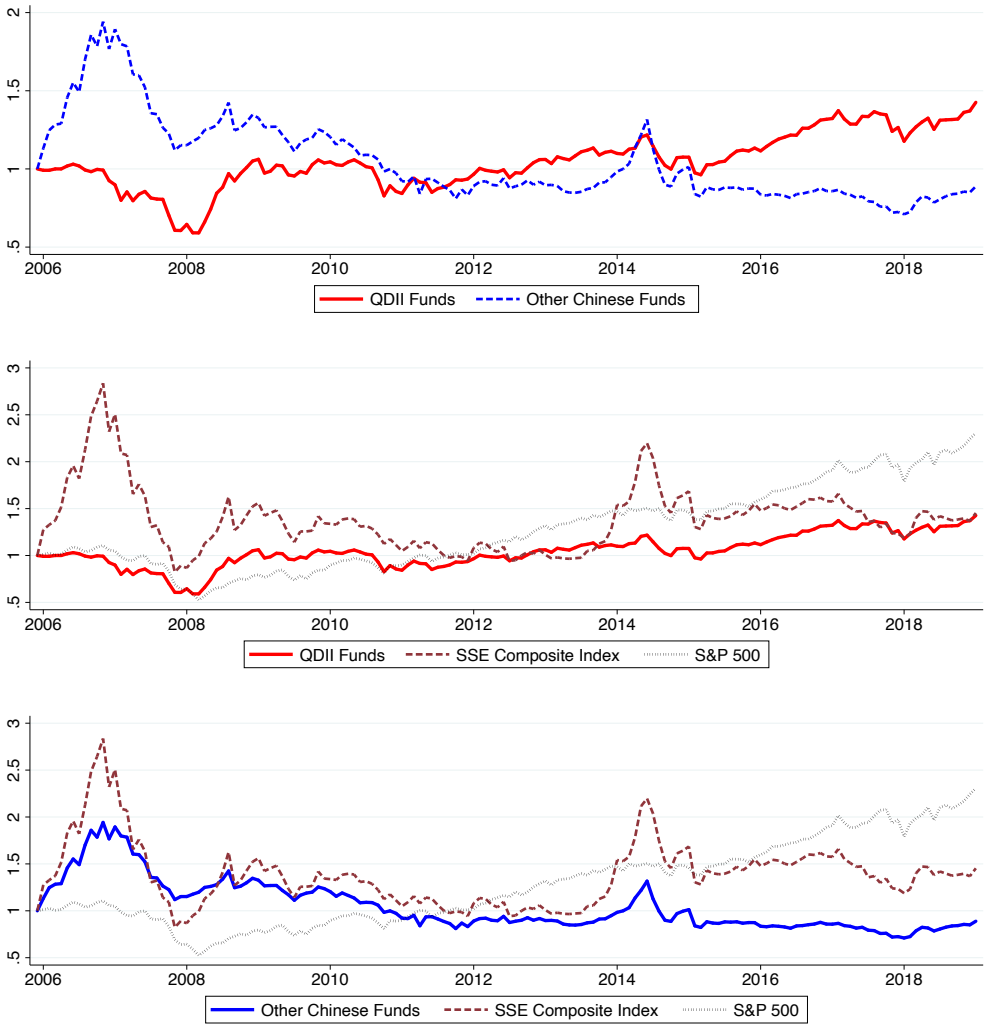
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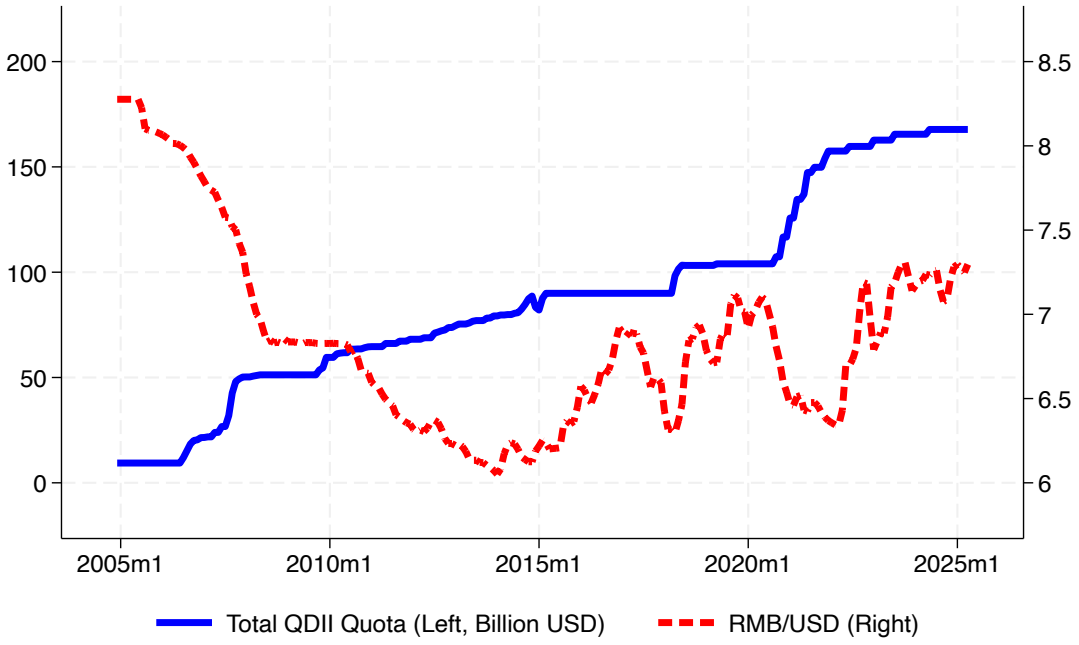
A Appendix

Figure A1 QDII FUNDS, CHINA-FOCUSED FUNDS, AND STOCK RETURN PERFORMANCE



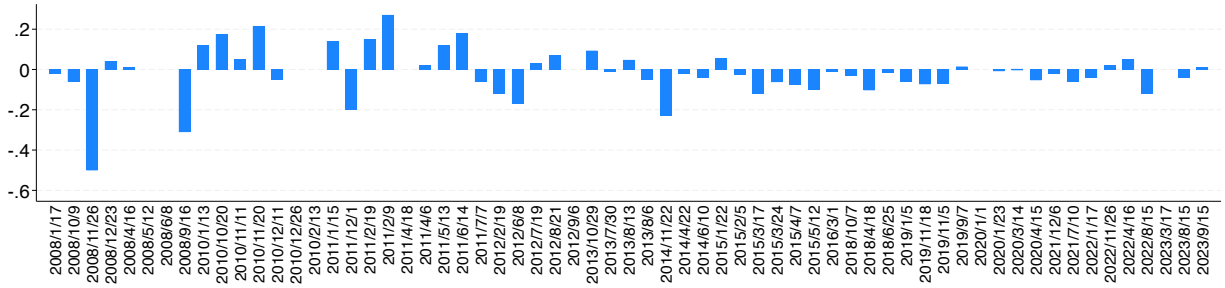
NOTE. The first panel of the figure plots the monthly average net asset value (NAV) for QDII funds and China-focused funds, along with the SSE Composite Index and the S&P 500 (NAV=1 in January 2006). The second panel plots cumulative absolute nominal returns for QDII funds, the Shanghai Stock Exchange index, and the S&P index (January 2006=1). The third panel plots the same for the other Chinese Funds (January 2006=1). Sources: CSMAR and WIND.

Figure A2 EXCHANGE RATE AND TOTAL QDII QUOTAS



NOTE. This figure plots the total dollar quotas granted to domestic institutional investors by the PBOC (in billions of USD) on the left, alongside the RMB/USD bilateral exchange rate on the right. Data sources: State Administration of Foreign Exchange and FRED.

Figure A3 CHINESE MONETARY POLICY SHOCKS ACROSS 63 ANNOUNCEMENT DAYS



NOTE. This figure plots Chinese monetary policy shocks, identified as the daily changes in 1-year interest rate swap rates (based on the interbank 7-day repo rate), across the 63 announcement days used in our paper.

Table A1 VARIABLE DEFINITIONS AND SOURCES

Variable	Definition	Source
Panel A: Macro variables		
MPS_t^{China}	Chinese monetary policy shocks are estimated as daily changes in 1-year interest rate swap rates (based on the interbank 7-day repo rate) around the monetary policy announcements of four key instruments by the People's Bank of China: required reserve ratio, benchmark bank deposit and lending rates, medium-term lending facility (MLF) rate, and the 7-day reverse repo rate.	PBOC and Datastream
MPS_t^{US}	U.S monetary policy shocks are identified by Acosta (2022).	Acosta (2022)
$\Delta \log VIX_t$	Daily change in VIX (in logs) index on Chinese announcement days.	FRED.
$\Delta \log Price_t^{Commodity}$	Daily change in commodity prices (in logs) index on Chinese announcement days.	IMF
Panel B: Country-level variables		
MSCI return (USD)	Daily change in the dollar-denominated MSCI country price index.	MSCI
MSCI return (LC)	Daily change in the local-currency denominated MSCI country price index.	MSCI
$w_{c,t-1}$	Aggregated amount invested by latest semi-annual disclosure information from QDII funds to country c divided by the country level market capitalization	WIND and World Bank
Exchange rate return (%)	Daily change in bilateral exchange rate (local currency per dollar).	BIS
Industrial production	Year-over-year change in log industrial production.	World Bank
Trade with China	Bilateral trade with China normalized by total trade.	WTO
$ODI_{c,t}$	Bilateral outward foreign direct investment from China to country c, normalized by China's total outward foreign direct investment.	WIND
Panel C: Firm-level variables		
$1_{i,t}^{China}$	A dummy variable indicating whether stock i is held by any Chinese QDII fund, based on the latest semi-annual disclosure information before time t.	WIND
Size	Natural logarithm of market capitalization (in millions of dollars). Market capitalization is calculated as the closing price multiplied by the shares outstanding six months prior to the Chinese monetary policy date.	CRSP and Compustat
β^{US}	Estimated from a market model using the return of a value-weighted market index as the market return. The model is based on daily returns over the 200 days to 20 days prior to the announcement.	CRSP
β^{China}	Estimated from a market model using the return of the Shanghai Composite Index as the market return. The model is based on daily returns over the 200 days to 20 days prior to the announcement.	WIND and CRSP
Turnover	Average daily turnover for a month. Turnover is defined as daily trading volume divided by market capitalization.	CRSP
Past one-month return	Cumulative log return from the previous month.	CRSP
Foreign sales ratio	The ratio of foreign sales to the total sales.	CRSP
Illiquidity	Amihud Illiquidity is measured as the average of absolute returns divided by daily trading volume, multiplied by one million, over a month.	CRSP
$1_{i,t-1}^{S\&P500}$	A dummy variable indicating whether stock i is included in the S&P 500, based on the latest monthly disclosure by the S&P company.	CRSP
$1_{i,t-1}^{Sales\ to\ China}$	A dummy variable indicating whether stock i sells goods to the Chinese mainland market, based on the latest annual segment disclosure.	Compustat
Panel D: Fund-level variables		
Fund flow	Total net assets (TNA) minus the last quarter's TNA, multiplied by the holding period return, divided by the last quarter's TNA.	WIND
Fund return	Holding period return for each quarter.	WIND
1_{Active}	A dummy variable indicating whether a fund is actively managed by a fund manager.	WIND
$1_{Equity\ fund}$	A dummy variable indicating whether a fund primarily invests in the equity market.	WIND
ΔStock%	Quarter-over-quarter change in the stock share held by the fund. Stock share is calculated as the total stock value divided by total net assets at each quarter's end.	WIND
ΔBond%	Quarter-over-quarter change in the bond share held by the fund. Bond share is calculated as the total bond value divided by total net assets at each quarter's end.	WIND
ΔFund%	Quarter-over-quarter change in the fund share held by the fund. Fund share is calculated as the total fund value divided by total net assets at each quarter's end.	WIND
ΔCash%	Quarter-over-quarter change in the cash share held by the fund. Cash share is calculated as the total cash and bank deposit value divided by total net assets at each quarter's end.	WIND
ΔOthers%	Quarter-over-quarter change in other asset categories (not including stocks, bonds, funds, or cash) such as financial derivatives held by the fund. Other share is calculated as the value of other asset categories divided by total net assets at each quarter's end.	WIND

Table A2 SUMMARY STATISTICS

	Obs (1)	Mean (2)	S.D. (3)	P25 (4)	P50 (5)	P75 (6)
Panel A: Macro variables						
MPS_t^{China}	63	-0.02	0.12	-0.06	-0.01	0.03
MPS_t^{US}	63	0.00	0.03	-0.01	0.00	0.00
$\Delta \log VIX_t$	63	-0.57%	8.77%	-5.58%	0.00%	4.36%
$\Delta \log Price_t^{Commodity}$	63	-0.22%	0.98%	-0.94%	-0.16%	0.23%
Panel B: Country-level variables						
MSCI return (USD,%)	3091	-0.09	2.03	-0.76	0.03	0.84
MSCI return (LC,%)	3040	-0.03	2.29	-0.84	0.09	1.04
Exchange rate return(%)	3040	-0.05	0.64	-0.35	0.00	0.17
QDII holding value ($w_{c,t}$)	3091	0.01	0.03	0.00	0.00	0.00
Industrial production (log, y-o-y)	3091	0.00	0.07	-0.01	0.00	0.01
Chinese industrial production (y-o-y)	3091	-0.27	1.14	-0.78	-0.18	0.54
Trade with China (%)	3091	9.33	7.36	4.41	6.86	12.67
$ODI_{c,t}$ (%)	3091	0.87	5.89	0.00	0.00	0.16
Panel C: Firm-level variables						
$1_{i,t}^{China}$	301060	0.13	0.34	0.00	0.00	0.00
Size	297826	13.18	2.14	11.64	13.08	14.64
β^{US}	301060	0.97	0.62	0.59	0.97	1.34
β^{China}	301059	0.13	0.34	-0.03	0.09	0.25
Turnover	300710	9.37	12.70	2.48	5.71	10.92
Past one-month return	301060	20.98	0.72	20.94	21.01	21.08
Foreign sales ratio	290589	0.04	0.14	0.00	0.00	0.00
Illiquidity	300097	1.89	9.21	0.00	0.01	0.12
$1_{i,t-1}^{S\&P500}$	301060	0.10	0.30	0.00	0.00	0.00
$1_{i,t-1}^{Sales\ to\ China}$	301060	0.01	0.08	0.00	0.00	0.00
Panel D: QDII-held US stocks information						
QDII holding shares (%)	39463	0.09	0.77	0.00	0.00	0.01
QDII holding value (%)	39485	0.09	0.71	0.00	0.00	0.01
Panel E: Fund-level variables						
Fund flow	4691	0.063	0.461	-0.096	-0.026	0.049
Fund return	4685	0.011	0.101	-0.041	0.015	0.068
1_{Active}	5071	0.612	0.487	0.000	1.000	1.000
$1_{Equity\ fund}$	5071	0.947	0.223	1.000	1.000	1.000
Δ Stock %	5071	74.632	28.690	76.388	86.534	91.268
Δ Bond%	5071	3.334	15.996	0.000	0.000	0.000
Δ Fund%	5071	11.704	8.927	6.682	9.167	13.937
Δ Cash%	5071	11.704	8.927	6.682	9.167	13.937
Δ Others%	5071	9.951	22.537	0.467	1.554	5.165

Table A3 SUMMARY STATISTICS: QDII FUND HOLDINGS
(AS A SHARE OF CAPITALIZATION IN %)

	Panel A: Non-zero QDII holdings							Panel B: Zero QDII holdings						
	Obs	Mean	S.D.	P25	P50	P75		Obs	Mean	S.D.	P25	P50	P75
	(1)	(2)	(3)	(4)	(5)	(6)		(1)	(2)	(3)	(4)	(5)	(6)
HKG	63	20.88	12.61	11.59	16.49	23.54	ARE	63	0.00	0.00	0.00	0.00	0.00
IDN	63	3.72	4.07	0.53	1.61	6.04	ARG	63	0.00	0.00	0.00	0.00	0.00
VNM	63	3.39	9.44	0.00	0.00	0.00	BGD	55	0.00	0.00	0.00	0.00	0.00
THA	63	3.29	3.43	0.65	2.47	4.95	BGR	63	0.00	0.00	0.00	0.00	0.00
KOR	63	2.35	1.76	0.63	2.39	3.79	BHR	63	0.00	0.00	0.00	0.00	0.00
SGP	63	2.15	2.19	0.24	1.48	3.18	COL	63	0.00	0.00	0.00	0.00	0.00
AUS	63	1.41	1.66	0.06	0.29	2.85	DNK	63	0.00	0.00	0.00	0.00	0.00
IND	63	0.90	0.75	0.17	0.89	1.43	EGY	63	0.00	0.00	0.00	0.00	0.00
MYS	63	0.78	0.96	0.00	0.29	1.53	EST	63	0.00	0.00	0.00	0.00	0.00
USA	63	0.73	0.56	0.35	0.54	0.86	FIN	63	0.00	0.00	0.00	0.00	0.00
GBR	63	0.40	0.36	0.08	0.44	0.61	HRV	63	0.00	0.00	0.00	0.00	0.00
NZL	63	0.36	0.28	0.10	0.34	0.53	HUN	63	0.00	0.00	0.00	0.00	0.00
DEU	63	0.23	0.24	0.06	0.08	0.42	JOR	63	0.00	0.00	0.00	0.00	0.00
PHL	63	0.11	0.26	0.00	0.00	0.01	KAZ	63	0.00	0.00	0.00	0.00	0.00
CHE	63	0.08	0.07	0.04	0.06	0.08	KEN	63	0.00	0.00	0.00	0.00	0.00
CAN	63	0.08	0.06	0.04	0.05	0.13	KWT	63	0.00	0.00	0.00	0.00	0.00
JPN	63	0.07	0.05	0.02	0.07	0.12	LBN	63	0.00	0.00	0.00	0.00	0.00
FRA	63	0.06	0.05	0.02	0.05	0.10	LKA	63	0.00	0.00	0.00	0.00	0.00
NOR	63	0.05	0.05	0.02	0.03	0.07	LTU	60	0.00	0.00	0.00	0.00	0.00
BRA	63	0.02	0.02	0.00	0.01	0.02	MAR	63	0.00	0.00	0.00	0.00	0.00
ZAF	63	0.02	0.02	0.00	0.01	0.03	MUS	63	0.00	0.00	0.00	0.00	0.00
PRT	63	0.01	0.03	0.00	0.00	0.00	NGA	63	0.00	0.00	0.00	0.00	0.00
BEL	63	0.01	0.01	0.00	0.00	0.01	NLD	63	0.00	0.00	0.00	0.00	0.00
MEX	63	0.01	0.01	0.00	0.01	0.01	OMN	63	0.00	0.00	0.00	0.00	0.00
ESP	63	0.01	0.01	0.00	0.01	0.01	PAK	63	0.00	0.00	0.00	0.00	0.00
ITA	63	0.01	0.01	0.00	0.00	0.01	PER	63	0.00	0.00	0.00	0.00	0.00
AUT	63	0.01	0.02	0.00	0.00	0.00	QAT	63	0.00	0.00	0.00	0.00	0.00
POL	63	0.01	0.01	0.00	0.00	0.02	ROU	63	0.00	0.00	0.00	0.00	0.00
TUR	63	0.00	0.01	0.00	0.00	0.01	SRB	60	0.00	0.00	0.00	0.00	0.00
ISR	63	0.00	0.01	0.00	0.00	0.00	SVN	63	0.00	0.00	0.00	0.00	0.00
IRL	63	0.00	0.00	0.00	0.00	0.00	SWE	63	0.00	0.00	0.00	0.00	0.00
GRC	63	0.00	0.00	0.00	0.00	0.00	TUN	63	0.00	0.00	0.00	0.00	0.00
CHL	63	0.00	0.00	0.00	0.00	0.00	TWN	63	0.00	0.00	0.00	0.00	0.00
CZE	63	0.00	0.00	0.00	0.00	0.00	UKR	63	0.00	0.00	0.00	0.00	0.00
RUS	59	0.00	0.00	0.00	0.00	0.00							

NOTE. QDII fund holdings are measured as the dollar value held by QDII funds divided by market capitalization, and reported in percentages. The statistics are computed only for our final sample of 63 Chinese monetary policy announcement days.

Table A4 CORRELATION TABLE FOR MACRO SHOCKS ACROSS 63 ANNOUNCEMENTS

	1	2	3	4	5	6	7
1. $\text{MPS}_t^{\text{China}}$	1.00						
2. MPS_t^{US}	0.04	1.00					
	(0.78)						
3. $\text{MPS}_{t+1}^{\text{US}}$	0.24	-0.08	1.00				
	(0.06)	(0.54)					
4. $\Delta \log \text{VIX}_t$	-0.08	-0.04	0.22	1.00			
	(0.53)	(0.74)	(0.09)				
5. $\Delta \log \text{Price}_t^{\text{Commodity}}$	-0.18	0.09	-0.18	-0.35	1.00		
	(0.17)	(0.47)	(0.16)	(0.01)			
6. $\Delta \log \text{Price}_{t+1}^{\text{Commodity}}$	0.01	0.04	-0.12	-0.19	0.68	1.00	
	(0.93)	(0.73)	(0.35)	(0.13)	(0.00)		
7. $\Delta \log \text{Price}_t^{\text{CSI}}$	0.11	-0.20	-0.07	0.07	-0.33	-0.39	1.00
	(0.37)	(0.11)	(0.56)	(0.58)	(0.01)	(0.00)	

NOTE. This table reports the correlations among macro variables (Chinese monetary policy shocks, U.S. monetary policy shocks, VIX changes, commodity price changes, and A-share stock price changes) across the 63 Chinese monetary policy announcement days. p-values of the pairwise correlations are shown in parentheses.

Table A5 INDIVIDUAL US STOCK CUMULATIVE EXCESS RETURNS AROUND CHINESE MONETARY POLICY ANNOUNCEMENT DAYS

	(1) [-1, -1]	(2) [-1, 0]	(3) [-1, 1]	(4) [-1, 2]	(5) [-1, 3]	(6) [-1, 4]	(7) [-1, 5]
$1^{\text{China}}_{i,t-1} \times \text{MPS}^{\text{China}}_t$	0.000	-0.000	-0.005***	-0.002	-0.004**	-0.003*	-0.004**
	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)	(0.002)	(0.002)
$1^{\text{China}}_{i,t-1} \times \text{MPS}^{\text{US}}_t$	-0.001	0.002*	0.000	-0.001	-0.003*	-0.007***	-0.008***
	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)	(0.002)
$1^{\text{China}}_{i,t-1} \times \Delta \log \text{VIX}_t$	0.029***	0.019***	0.018***	0.024***	0.022***	0.011	0.019**
	(0.004)	(0.004)	(0.005)	(0.006)	(0.007)	(0.007)	(0.007)
$1^{\text{China}}_{i,t-1} \times \log \text{Price}^{\text{Commodity}}_t$	-0.066	-0.067	-0.041	-0.067	-0.103	-0.118	0.031
	(0.052)	(0.067)	(0.079)	(0.091)	(0.099)	(0.108)	(0.119)
$1^{\text{China}}_{i,t-1}$	-0.086***	-0.054***	-0.053***	-0.069***	-0.052***	-0.028	-0.049**
	(0.010)	(0.012)	(0.014)	(0.018)	(0.018)	(0.020)	(0.021)
Size	0.002*	0.010***	0.009***	0.013***	0.021***	0.028***	0.045***
	(0.001)	(0.002)	(0.002)	(0.003)	(0.003)	(0.003)	(0.004)
β^{US}	0.005**	-0.001	0.003	0.001	-0.003	-0.003	-0.006
	(0.002)	(0.003)	(0.004)	(0.004)	(0.004)	(0.005)	(0.005)
Turnover	0.000	0.000**	0.000**	0.000***	0.001***	0.001***	0.001***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Past One-day Return	0.006**	0.013***	0.020***	0.025***	0.028***	0.033***	0.037***
	(0.002)	(0.004)	(0.005)	(0.006)	(0.006)	(0.006)	(0.007)
Constant	-0.157***	-0.449***	-0.576***	-0.750***	-0.959***	-1.218***	-1.608***
	(0.057)	(0.098)	(0.120)	(0.141)	(0.142)	(0.156)	(0.171)
Number of Events				63			
Fixed Effects				Firm, Industry×Event			
Observations	297025	297025	297025	297025	297025	297025	297025
Adjusted R^2	0.685	0.670	0.687	0.679	0.691	0.701	0.701

NOTE.The dependent variable is the cumulative excess return (relative to the U.S. market return) for individual stocks listed in the U.S. market. Day 0 represents Chinese monetary policy announcement days, and we use 63 events. The independent variables include a dummy variable for stocks held by Chinese QDII funds based on the latest available information, Chinese monetary policy shocks, U.S. monetary policy shocks, daily changes in the log VIX index, daily changes in the log commodity price index, size, market beta, turnover, and the past one-month return. We include firm and industry-by-event fixed effects. All standard errors are clustered at the firm level and reported in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

Table A6 INDIVIDUAL U.S STOCK RETURNS RESPONSES ON CHINESE MONETARY POLICY ANNOUNCEMENT DAYS (NUMBER OF QDII SHARES RELATIVE TO TOTAL NUMBER OF SHARES ISSUED)

	A: Cumulative Abnormal Return			B: Cumulative Excess Return		
	[-1, -1]	[-1, 0]	[-1, 1]	[-1, -1]	[-1, 0]	[-1, 1]
	(1)	(2)	(3)	(4)	(5)	(6)
$w_{i,t-1}^{\text{China}} \times \text{MPS}_t^{\text{China}}$	-0.085	-0.173*	-0.126	-0.105	-0.239**	-0.146
	(0.093)	(0.100)	(0.187)	(0.086)	(0.118)	(0.186)
$w_{i,t-1}^{\text{China}} \times \text{MPS}_t^{\text{US}}$	0.086	0.133	0.218	0.128	0.159	0.178
	(0.076)	(0.089)	(0.133)	(0.089)	(0.101)	(0.137)
$w_{i,t-1}^{\text{China}} \times \Delta \log \text{VIX}_t$	-2.441	-4.190**	-2.033	-3.078	-4.922**	-2.741
	(1.743)	(1.936)	(2.071)	(1.881)	(2.059)	(2.196)
$w_{i,t-1}^{\text{China}} \times \Delta \log \text{Price}_t^{\text{Commodity}}$	-11.858	-17.293	-10.942	-17.080	-21.274	-18.299
	(13.455)	(15.744)	(19.767)	(14.189)	(15.776)	(19.101)
$w_{i,t-1}^{\text{China}}$	0.132	0.391	0.646	0.309	0.694*	0.897
	(0.288)	(0.356)	(0.560)	(0.313)	(0.371)	(0.579)
Size	-0.011***	-0.015***	-0.026***	0.002	0.009***	0.009***
	(0.001)	(0.002)	(0.002)	(0.001)	(0.002)	(0.002)
β^{US}	0.003	-0.001	-0.004	0.006***	0.001	0.004
	(0.002)	(0.003)	(0.004)	(0.002)	(0.003)	(0.004)
Turnover	0.000	-0.000	-0.000	0.000	-0.000	-0.000*
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Past One-month Return	0.005**	0.013***	0.018***	0.006***	0.013***	0.020***
	(0.002)	(0.004)	(0.005)	(0.002)	(0.004)	(0.005)
Constant	0.108*	0.049	0.182	-0.159***	-0.444***	-0.569***
	(0.056)	(0.095)	(0.117)	(0.058)	(0.097)	(0.119)
Number of Events	63					
Fixed Effects	Firm, Industry×Event					
Observations	297025	297025	297025	297025	297025	297025
Adjusted R^2	0.685	0.671	0.680	0.685	0.670	0.687

NOTE. The dependent variable is the cumulative abnormal return (based on the CAPM model) in panel A and the cumulative excess return (relative to market return) in panel B for individual U.S. stocks. Day 0 represents Chinese monetary policy announcement days, and we use 63 events. The independent variables include an exposure variable, constructed by shares of stocks held by Chinese QDII funds (normalized by total shares outstanding) based on the latest available information, Chinese monetary policy shocks, U.S. monetary policy shocks, daily changes in the log VIX index, daily changes in the log commodity price index, size, market beta, turnover, and the past one-month return. We include firm and industry-by-event fixed effects. All standard errors are clustered at the firm level and reported in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

Table A7 PROPENSITY SCORE MATCHING EFFECTIVENESS

	Stocks held by QDII fund			Stocks not held by QDII fund			Difference	
	Mean (1)	Median (2)	S.D. (3)	Mean (4)	Median (5)	S.D. (6)	Mean (7)	T-test (8)
Panel A: Before propensity score matching								
Size	22.768	22.921	1.691	19.673	19.644	1.892	3.095	***
Turnover	12.403	8.448	15.069	12.538	5.166	206.515	-0.135	
β^{US}	1.111	1.066	0.466	0.949	0.945	0.634	0.162	***
Panel B: After propensity score matching								
Size	22.221	22.427	1.525	22.222	22.413	1.507	-0.001	
Turnover	14.722	9.228	31.814	12.881	7.825	312.618	1.840	
β^{US}	1.141	1.091	0.493	1.136	1.081	0.524	0.005	

NOTE. Panel A (B) presents summary statistics for stocks held and not held by Chinese QDII funds, along with the differences in matching variables such as firm size, turnover, and market beta before (after) propensity score matching. *, ** and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Table A8 INDIVIDUAL U.S. STOCK RETURNS AROUND CHINESE MONETARY POLICY ANNOUNCEMENT DAYS USING A MATCHED SAMPLE

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Event window	[-1]	[-1, 0]	[-1, 1]	[-1, 2]	[-1, 3]	[-1, 4]	[-1, 5]
$1^{\text{China}}_{i,t-1} \times \text{MPS}^{\text{China}}_t$	-0.001	-0.000	-0.006***	-0.004**	-0.005**	-0.004*	-0.005*
	(0.001)	(0.002)	(0.002)	(0.002)	(0.002)	(0.003)	(0.003)
$1^{\text{China}}_{i,t-1} \times \text{MPS}^{\text{US}}_t$	-0.000	-0.000	-0.001	-0.001	-0.002	-0.005**	-0.006***
	(0.001)	(0.001)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
$1^{\text{China}}_{i,t-1} \times \Delta \log \text{VIX}_t$	0.000	-0.016	-0.027**	-0.047**	-0.052***	-0.017	-0.010
	(0.008)	(0.011)	(0.014)	(0.019)	(0.020)	(0.021)	(0.022)
$1^{\text{China}}_{i,t-1} \times \Delta \log \text{Price}^{\text{Commodity}}_t$	-0.127	-0.135	-0.072	-0.299*	-0.310*	-0.333*	-0.427**
	(0.092)	(0.117)	(0.141)	(0.161)	(0.170)	(0.186)	(0.200)
$1^{\text{China}}_{i,t-1}$	-0.005**	-0.004	-0.009**	-0.007	0.003	0.004	0.003
	(0.002)	(0.003)	(0.004)	(0.005)	(0.005)	(0.006)	(0.006)
Size	-0.018***	-0.020***	-0.038***	-0.055***	-0.060***	-0.062***	-0.052***
	(0.003)	(0.004)	(0.005)	(0.006)	(0.006)	(0.006)	(0.007)
β^{US}	0.007	0.008	0.003	-0.002	0.000	-0.005	0.001
	(0.008)	(0.008)	(0.008)	(0.008)	(0.009)	(0.011)	(0.011)
Turnover	0.000***	-0.000***	-0.000***	-0.000***	-0.000***	-0.000***	-0.000***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Past One-day Return	0.023	0.028*	0.031*	0.026	0.023	0.028	0.027
	(0.015)	(0.016)	(0.018)	(0.022)	(0.025)	(0.029)	(0.029)
Constant	-0.086	-0.145	0.207	0.693	0.875	0.821	0.617
	(0.307)	(0.339)	(0.379)	(0.480)	(0.542)	(0.614)	(0.620)
Number of Events				63			
Fixed Effects				Firm, Industry×Event			
Observations	57217	57217	57217	57217	57217	57217	57217
Adjusted R^2	0.745	0.785	0.775	0.760	0.770	0.766	0.760

NOTE. The analysis is conducted based on a matched sample selected from Table A7. The dependent variable is the cumulative abnormal return (based on the CAPM model) for individual stocks listed in the U.S. market. Day 0 represents Chinese monetary policy announcement days, and we use 63 events. The independent variables include a dummy variable for stocks held by Chinese QDII funds based on the latest available information, Chinese monetary policy shocks, U.S. monetary policy shocks, daily changes in the log VIX index, daily changes in the log commodity price index, size, market beta, turnover, and the past one-month return. We include firm and industry-by-event fixed effects. All standard errors are clustered at the firm level and reported in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

Table A9 ROBUSTNESS: CONTROLLING FOR FUTURE FOMC MEETING EFFECTS

	(1) [-1, -1]	(2) [-1, 0]	(3) [-1, 1]	(4) [-1, 2]	(5) [-1, 3]	(6) [-1, 4]	(7) [-1, 5]
$1^{\text{China}}_{i,t-1} \times \text{MPS}^{\text{China}}_t$	-0.000	-0.000	-0.006***	-0.002	-0.005***	-0.004**	-0.006***
	(0.001)	(0.001)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
$1^{\text{China}}_{i,t-1} \times \text{MPS}^{\text{US}}_t$	0.000	0.003***	0.003**	0.002	0.001	-0.003*	-0.002
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)
$1^{\text{China}}_{i,t-1} \times \text{MPS}^{\text{US}}_{t+1}$	-0.005***	-0.003*	-0.000	-0.005***	-0.005**	-0.004*	-0.006**
	(0.001)	(0.001)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
$1^{\text{China}}_{i,t-1} \times \Delta \log \text{VIX}_t$	0.003	-0.003	0.010	0.004	-0.001	0.022**	0.029**
	(0.005)	(0.007)	(0.008)	(0.009)	(0.010)	(0.011)	(0.011)
$1^{\text{China}}_{i,t-1} \times \Delta \log \text{Price}^{\text{Commodity}}_t$	-0.076	-0.076	0.012	-0.017	-0.053	0.029	0.083
	(0.061)	(0.074)	(0.088)	(0.104)	(0.113)	(0.122)	(0.132)
$1^{\text{China}}_{i,t-1}$	-0.010***	-0.011***	-0.015***	-0.009	0.001	0.001	-0.002
	(0.003)	(0.004)	(0.005)	(0.006)	(0.006)	(0.007)	(0.007)
Size	-0.010***	-0.014***	-0.025***	-0.033***	-0.037***	-0.041***	-0.036***
	(0.001)	(0.002)	(0.002)	(0.003)	(0.003)	(0.003)	(0.004)
β^{US}	0.003	-0.001	-0.004	-0.007*	-0.003	-0.006	0.000
	(0.002)	(0.003)	(0.004)	(0.004)	(0.004)	(0.005)	(0.005)
Turnover	0.000	-0.000	-0.000	-0.000	0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Past One-day Return	0.005**	0.013***	0.018***	0.023***	0.026***	0.029***	0.034***
	(0.002)	(0.004)	(0.005)	(0.006)	(0.006)	(0.006)	(0.007)
Constant	0.030	-0.059	-0.007	-0.009	-0.017	-0.020	-0.168
	(0.052)	(0.089)	(0.109)	(0.132)	(0.133)	(0.141)	(0.160)
Number of Events				63			
Fixed Effects				Firm, Industry×Event			
Observations	297025	297025	297025	297025	297025	297025	297025
Adjusted R^2	0.685	0.671	0.680	0.656	0.664	0.655	0.657

NOTE. This table controls for the effects of future FOMC meetings. The dependent variable is the cumulative abnormal return (based on the CAPM model) for individual stocks listed in the U.S. market. Day 0 represents Chinese monetary policy announcement days, and we use 63 events. The independent variables include a dummy variable for stocks held by Chinese QDII funds based on the latest available information, Chinese monetary policy shocks, U.S. monetary policy shocks (the latest before and after the Chinese monetary policy announcement), daily changes in the log VIX index, daily changes in the log commodity price index, size, market beta, turnover, and the past one-month return. We include firm and industry-by-event fixed effects. All standard errors are clustered at the firm level and reported in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

Table A10 ROBUSTNESS: CONTROLLING FOR FUTURE COMMODITY PRICES

	(1) [-1, -1]	(2) [-1, 0]	(3) [-1, 1]	(4) [-1, 2]	(5) [-1, 3]	(6) [-1, 4]	(7) [-1, 5]
$1^{\text{China}}_{i,t-1} \times \text{MPS}^{\text{China}}_{t}$	-0.001	-0.001	-0.006***	-0.003**	-0.006***	-0.005**	-0.007***
	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)	(0.002)	(0.002)
$1^{\text{China}}_{i,t-1} \times \text{MPS}^{\text{US}}_{t}$	-0.000	0.002**	0.003**	0.001	0.000	-0.004**	-0.004*
	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)	(0.002)
$1^{\text{China}}_{i,t-1} \times \Delta\log\text{Price}^{\text{Commodity}}_{t+1}$	-0.009	0.105	0.049	-0.010	0.080	0.136	0.289*
	(0.070)	(0.086)	(0.101)	(0.125)	(0.132)	(0.141)	(0.156)
$1^{\text{China}}_{i,t-1} \times \Delta\log\text{VIX}_{t}$	-0.003	-0.008	0.009	-0.002	-0.008	0.014	0.016
	(0.005)	(0.006)	(0.007)	(0.008)	(0.009)	(0.010)	(0.010)
$1^{\text{China}}_{i,t-1} \times \Delta\log\text{Price}^{\text{Commodity}}_{t}$	-0.113**	-0.220***	-0.044	-0.057	-0.191	-0.161	-0.301*
	(0.054)	(0.077)	(0.099)	(0.123)	(0.131)	(0.143)	(0.155)
$1^{\text{China}}_{i,t-1}$	-0.010***	-0.011***	-0.015***	-0.009*	0.001	0.001	-0.003
	(0.003)	(0.004)	(0.005)	(0.006)	(0.006)	(0.007)	(0.007)
Size	-0.010***	-0.014***	-0.025***	-0.033***	-0.037***	-0.041***	-0.036***
	(0.001)	(0.002)	(0.002)	(0.003)	(0.003)	(0.003)	(0.004)
β^{US}	0.003	-0.001	-0.004	-0.007*	-0.003	-0.006	0.000
	(0.002)	(0.003)	(0.004)	(0.004)	(0.004)	(0.005)	(0.005)
Turnover	0.000	-0.000	-0.000	-0.000	0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Past One-day Return	0.005**	0.013***	0.018***	0.023***	0.026***	0.029***	0.034***
	(0.002)	(0.004)	(0.005)	(0.006)	(0.006)	(0.006)	(0.007)
Constant	0.030	-0.059	-0.007	-0.009	-0.017	-0.020	-0.168
	(0.052)	(0.089)	(0.109)	(0.132)	(0.133)	(0.141)	(0.160)
Number of Events				63			
Fixed Effects				Firm, Industry×Event			
Observations	297025	297025	297025	297025	297025	297025	297025
Adjusted R^2	0.685	0.671	0.680	0.656	0.664	0.655	0.657

NOTE. This table controls the effect of future commodity prices. The dependent variable is the cumulative abnormal return (based on the CAPM model) for individual stocks listed in the U.S. market. Day 0 represents Chinese monetary policy announcement days, and we use 63 events. The independent variables include a dummy variable for stocks held by Chinese QDII funds based on the latest available information, Chinese monetary policy shocks, U.S. monetary policy shocks, daily changes in the log VIX index, one-day and two-day changes in the log commodity price index (from the day before the announcement through the announcement day and the following day), size, market beta, turnover, and the past one-month return. We include firm and industry-by-event fixed effects. All standard errors are clustered at the firm level and reported in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

Table A11 ROBUSTNESS: ALTERNATIVE MEASURE OF CHINESE MONETARY POLICY SHOCKS

Sample Period 2008-2019Q2	(1)	(2)
Measure of Chinese Monetary Policy Shocks	Daily Change in Interest Rate Swap Rate	Shocks to M2 Growth Rate
$1_{i,t-1}^{\text{China}} \times \text{MPS}_t^{\text{China}}$	-0.005***	0.178***
	(0.001)	(0.065)
Fixed Effect	Firm, Industry × Time	
Observations	230001	92659
Adjusted R^2	0.720	0.112

NOTE. This table presents robustness tests using alternative measures of Chinese monetary policy shocks: the daily change in the interest rate swap rate in Column (1) (our baseline measure) and (2) quarterly shocks to Chinese M2 growth (constructed by Chen et al. 2018). Since the quarterly shock is available only until 2019 Q2, Column (1) reproduces the baseline daily regression for Chinese monetary policy days using the 2008–2019 Q2 period. The dependent variable is the 3-day cumulative abnormal return (based on the CAPM model) in Column (1) and the quarterly sum of one-day abnormal returns on announcement days for individual U.S.-listed stocks. Independent variables include a dummy for stocks held by Chinese QDII funds based on the latest available information, Chinese monetary policy shocks, U.S. monetary policy shocks, daily changes in the log VIX index, daily changes in the log commodity price index, firm size, market beta, turnover, and the past one-month return. Firm and industry-by-event fixed effects are included. To save space, control variables are not reported. All standard errors are clustered at the firm level and shown in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

Table A12 ROBUSTNESS: CONTROLLING FOR THE NON-RANDOMNESS OF QDII FUND HOLDINGS

	(1) [-1, -1]	(2) [-1, 0]	(3) [-1, 1]	(4) [-1, 2]	(5) [-1, 3]	(6) [-1, 4]	(7) [-1, 5]
$1^{\text{China}}_{i,t-1} \times \text{MPS}^{\text{China}}_t$	-0.000	0.000	-0.005***	-0.003*	-0.006***	-0.004*	-0.003
	(0.001)	(0.001)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
$1^{\text{China}}_{i,t-1} \times \text{MPS}^{\text{US}}_t$	-0.000	0.002**	0.002**	0.000	-0.000	-0.004**	-0.003**
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)
$1^{\text{China}}_{i,t-1} \times \Delta \log \text{VIX}_t$	-0.003	-0.006	0.008	-0.005	-0.009	0.015	0.021*
	(0.006)	(0.007)	(0.008)	(0.010)	(0.010)	(0.011)	(0.012)
$1^{\text{China}}_{i,t-1} \times \Delta \log \text{Price}^{\text{Commodity}}_t$	-0.127*	-0.097	0.026	-0.040	-0.079	0.014	0.031
	(0.066)	(0.079)	(0.092)	(0.109)	(0.118)	(0.127)	(0.135)
$1^{\text{China}}_{i,t-1}$	-0.016***	-0.018***	-0.028***	-0.026***	-0.019***	-0.021***	-0.022***
	(0.003)	(0.004)	(0.005)	(0.006)	(0.006)	(0.007)	(0.007)
$\text{Size}_{i,t-1} \times \text{MPS}^{\text{China}}_t$	-0.000**	-0.000	-0.000	0.000	0.000	-0.000	-0.001***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
$\beta^{US}_{i,t-1} \times \text{MPS}^{\text{China}}_t$	0.000	-0.000	-0.001	-0.008***	-0.005***	-0.001	0.000
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
$\text{Turnover}_{i,t-1} \times \text{MPS}^{\text{China}}_t$	-0.000*	0.000	-0.000	-0.000	-0.000	-0.000	-0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Past One-day $\text{Return}_{i,t-1} \times \text{MPS}^{\text{China}}_t$	0.004**	0.002	0.005	-0.001	0.004	0.006	0.006
	(0.002)	(0.006)	(0.006)	(0.005)	(0.006)	(0.006)	(0.008)
Constant	0.016***	0.020***	0.030***	0.032***	0.037***	0.043***	0.067***
	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)
Number of Events				63			
Fixed Effects				Firm, Industry×Event			
Observations	297025	297025	297025	297025	297025	297025	297025
Adjusted R^2	0.684	0.670	0.678	0.653	0.660	0.651	0.654

NOTE. This table controls for the effects of the non-randomness of QDII fund holdings. The dependent variable is the cumulative abnormal return (based on the CAPM model) for individual stocks listed in the U.S. market. Day 0 represents Chinese monetary policy announcement days, and we use 63 events. The independent variables include a dummy variable for stocks held by Chinese QDII funds based on the latest available information, Chinese monetary policy shocks, U.S. monetary policy shocks, daily changes in the log VIX index, daily changes in the log commodity price index, size, market beta, turnover, and the past one-month return. We include firm and industry-by-event fixed effects. All standard errors are clustered at the firm level and reported in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

Table A13 ROBUSTNESS: CONTROLLING FOR INDEX MEMBER STOCKS

	(1) [-1, -1]	(2) [-1, 0]	(3) [-1, 1]	(4) [-1, 2]	(5) [-1, 3]	(6) [-1, 4]	(7) [-1, 5]
$1^{\text{China}}_{i,t-1} \times \text{MPS}^{\text{China}}_t$	-0.000	0.000	-0.006***	-0.004*	-0.006***	-0.005**	-0.004*
	(0.001)	(0.001)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
$1^{\text{China}}_{i,t-1} \times \text{MPS}^{\text{US}}_t$	-0.000	0.002**	0.002**	0.000	-0.000	-0.004**	-0.004**
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)
$1^{\text{China}}_{i,t-1} \times \Delta \log \text{VIX}_t$	-0.003	-0.007	0.008	-0.005	-0.009	0.015	0.020*
	(0.006)	(0.007)	(0.008)	(0.010)	(0.010)	(0.011)	(0.012)
$1^{\text{China}}_{i,t-1} \times \Delta \log \text{Price}^{\text{Commodity}}_t$	-0.126*	-0.097	0.028	-0.039	-0.078	0.019	0.035
	(0.067)	(0.079)	(0.092)	(0.109)	(0.118)	(0.127)	(0.135)
$1^{\text{China}}_{i,t-1}$	-0.015***	-0.018***	-0.028***	-0.026***	-0.018***	-0.020***	-0.021***
	(0.003)	(0.004)	(0.005)	(0.006)	(0.006)	(0.007)	(0.007)
$\text{Size}_{i,t-1} \times \text{MPS}^{\text{China}}_t$	-0.000**	-0.000	-0.000	0.000	0.000	-0.001	-0.001***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
$\beta^{US}_{i,t-1} \times \text{MPS}^{\text{China}}_t$	0.000	-0.000	-0.001	-0.008***	-0.005***	-0.001	0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
$\text{Turnover}_{i,t-1} \times \text{MPS}^{\text{China}}_t$	-0.000*	0.000	-0.000	-0.000	-0.000	-0.000	-0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
$\text{Past One-day Return}_{i,t-1} \times \text{MPS}^{\text{China}}_t$	0.004**	0.002	0.005	-0.001	0.004	0.006	0.006
	(0.002)	(0.006)	(0.006)	(0.005)	(0.006)	(0.006)	(0.008)
$1^{\text{S\&P500}}_{i,t-1} \times \text{MPS}^{\text{China}}_t$	0.001	0.000	0.002	0.001	0.001	0.003*	0.003*
	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)	(0.002)	(0.002)
Constant	0.016***	0.020***	0.030***	0.032***	0.037***	0.043***	0.067***
	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)
Number of Events				63			
Fixed Effects				Firm, Industry × Event			
Observations	297025	297025	297025	297025	297025	297025	297025
Adjusted R^2	0.684	0.670	0.678	0.653	0.660	0.651	0.654

NOTE. This table controls for the effects of index membership. The dependent variable is the cumulative abnormal return (based on the CAPM model) for individual stocks listed in the U.S. market. Day 0 represents Chinese monetary policy announcement days, and we use 63 events. The independent variables include a dummy variable for stocks held by Chinese QDII funds based on the latest available information, Chinese monetary policy shocks, U.S. monetary policy shocks, daily changes in the log VIX index, daily changes in the log commodity price index, size, market beta, turnover, a dummy for S&P 500 member stocks, and the past one-month return. We include firm and industry-by-event fixed effects. All standard errors are clustered at the firm level and reported in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

Table A14 ROBUSTNESS: CONTROLLING FOR SALES TO CHINA

	(1) [-1, -1]	(2) [-1, 0]	(3) [-1, 1]	(4) [-1, 2]	(5) [-1, 3]	(6) [-1, 4]	(7) [-1, 5]
$1^{\text{China}}_{i,t-1} \times \text{MPS}^{\text{China}}_t$	-0.000	0.000	-0.005***	-0.003*	-0.006***	-0.004*	-0.003
	(0.001)	(0.001)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
$1^{\text{China}}_{i,t-1} \times \text{MPS}^{\text{US}}_t$	-0.000	0.002**	0.002**	0.000	-0.000	-0.004**	-0.003**
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)
$1^{\text{China}}_{i,t-1} \times \Delta \log \text{VIX}_t$	-0.003	-0.006	0.008	-0.005	-0.009	0.015	0.021*
	(0.006)	(0.007)	(0.008)	(0.010)	(0.010)	(0.011)	(0.012)
$1^{\text{China}}_{i,t-1} \times \Delta \log \text{Price}^{\text{Commodity}}_t$	-0.126*	-0.097	0.026	-0.040	-0.079	0.015	0.031
	(0.066)	(0.079)	(0.092)	(0.109)	(0.118)	(0.127)	(0.135)
$1^{\text{China}}_{i,t-1}$	-0.016***	-0.018***	-0.028***	-0.026***	-0.019***	-0.021***	-0.022***
	(0.003)	(0.004)	(0.005)	(0.006)	(0.006)	(0.007)	(0.007)
$\text{Size}_{i,t-1} \times \text{MPS}^{\text{China}}_t$	-0.000**	-0.000	-0.000	0.000	0.000	-0.000	-0.001***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
$\beta^{US}_{i,t-1} \times \text{MPS}^{\text{China}}_t$	0.000	-0.000	-0.001	-0.008***	-0.005***	-0.001	0.000
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
$\text{Turnover}_{i,t-1} \times \text{MPS}^{\text{China}}_t$	-0.000*	0.000	-0.000	-0.000	-0.000	-0.000	-0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
$\text{Past one-day return}_{i,t-1} \times \text{MPS}^{\text{China}}_t$	0.004**	0.002	0.005	-0.001	0.004	0.006	0.006
	(0.002)	(0.006)	(0.006)	(0.005)	(0.006)	(0.006)	(0.008)
$1^{\text{Sales to China}}_{i,t-1} \times \text{MPS}^{\text{China}}_t$	-0.020***	-0.011	-0.012	-0.002	0.008	-0.001	0.007
	(0.007)	(0.010)	(0.012)	(0.013)	(0.014)	(0.016)	(0.017)
Constant	0.016***	0.020***	0.030***	0.032***	0.037***	0.043***	0.067***
	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)
Number of Events				63			
Fixed Effects				Firm, Industry*Event			
Observations	297025	297025	297025	297025	297025	297025	297025
Adjusted R^2	0.684	0.670	0.678	0.653	0.660	0.651	0.654

NOTE. This table controls for the effects of sales to China. The dependent variable is the cumulative abnormal return (based on the CAPM model) for individual stocks listed in the U.S. market. Day 0 represents Chinese monetary policy announcement days, and we use 63 events. The independent variables include a dummy variable for stocks held by Chinese QDII funds based on the latest available information, Chinese monetary policy shocks, U.S. monetary policy shocks, daily changes in the log VIX index, daily changes in the log commodity price index, size, market beta, turnover, a dummy for sales to China and the past one-month return. We include firm and industry-by-event fixed effects. All standard errors are clustered at the firm level and reported in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

Table A15 ROBUSTNESS: DROPPING CHINA CONCEPT STOCKS

	(1) [-1, -1]	(2) [-1, 0]	(3) [-1, 1]	(4) [-1, 2]	(5) [-1, 3]	(6) [-1, 4]	(7) [-1, 5]
$1^{\text{China}}_{i,t-1} \times \text{MPS}^{\text{China}}_t$	-0.001	-0.001	-0.006***	-0.004**	-0.006***	-0.005***	-0.007***
	(0.001)	(0.001)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
$1^{\text{China}}_{i,t-1} \times \text{MPS}^{\text{US}}_t$	-0.001	0.002**	0.002**	0.001	-0.000	-0.004**	-0.004**
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)
$1^{\text{China}}_{i,t-1} \times \Delta\log \text{VIX}_t$	-0.002	-0.004	0.007	-0.005	-0.009	0.015	0.022*
	(0.006)	(0.007)	(0.008)	(0.010)	(0.010)	(0.011)	(0.012)
$1^{\text{China}}_{i,t-1} \times \Delta\log \text{Price}^{\text{Commodity}}_t$	-0.143**	-0.106	-0.018	-0.085	-0.130	-0.010	0.048
	(0.067)	(0.079)	(0.093)	(0.109)	(0.118)	(0.127)	(0.136)
$1^{\text{China}}_{i,t-1}$	-0.011***	-0.012***	-0.016***	-0.010*	-0.000	0.001	-0.003
	(0.003)	(0.004)	(0.005)	(0.006)	(0.006)	(0.007)	(0.007)
Size	-0.010***	-0.014***	-0.026***	-0.034***	-0.038***	-0.041***	-0.037***
	(0.001)	(0.002)	(0.002)	(0.003)	(0.003)	(0.003)	(0.004)
β^{US}	0.002	-0.002	-0.005	-0.007*	-0.004	-0.006	0.001
	(0.002)	(0.003)	(0.004)	(0.004)	(0.004)	(0.005)	(0.005)
Turnover	0.000	-0.000	-0.000	-0.000	0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Past One-month Return	0.005**	0.011***	0.017***	0.023***	0.025***	0.028***	0.033***
	(0.002)	(0.004)	(0.005)	(0.006)	(0.006)	(0.006)	(0.007)
Constant	0.046	-0.031	0.005	0.000	0.001	-0.006	-0.143
	(0.052)	(0.087)	(0.113)	(0.135)	(0.136)	(0.145)	(0.162)
Number of Events				63			
Fixed Effects				Firm, Industry×Time			
Observations	292353	292353	292353	292353	292353	292353	292353
Adjusted R^2	0.689	0.675	0.683	0.659	0.666	0.657	0.659

NOTE. This table conducts an analysis similar to Table 2, but on a sample excluding China Concept Stocks. The dependent variable is the cumulative abnormal return (based on the CAPM model) for individual stocks listed in the U.S. market. Day 0 represents Chinese monetary policy announcement days, and we use 63 events. The independent variables include a dummy variable for stocks held by Chinese QDII funds based on the latest available information, Chinese monetary policy shocks, U.S. monetary policy shocks, daily changes in the log VIX index, daily changes in the log commodity price index, size, market beta, turnover, and the past one-month return. We include firm and industry-by-event fixed effects. All standard errors are clustered at the firm level and reported in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

Table A16 ROBUSTNESS: HETEROGENEITY OF INDIVIDUAL US STOCK RETURN RESPONSE ON CHINESE MONETARY POLICY ANNOUNCEMENT DAYS

	(1) [-1, -1]	(2) [-1, 0]	(3) [-1, 1]	(4) [-1, 2]	(5) [-1, 3]	(6) [-1, 4]	(7) [-1, 5]
Panel A: Before 2015							
$1_{i,t-1}^{\text{China}} \times \text{MPS}_t^{\text{China}}$	-0.001*	0.000	-0.005***	-0.003*	-0.005***	-0.004***	-0.007***
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)
Panel B: After 2015							
$1_{i,t-1}^{\text{China}} \times \text{MPS}_t^{\text{China}}$	-0.000	-0.003	-0.005**	-0.002	-0.010***	-0.006*	-0.007**
	(0.001)	(0.002)	(0.002)	(0.003)	(0.003)	(0.003)	(0.003)

NOTE. This table reports the robustness of the heterogeneous effects of individual U.S. stocks' responses to Chinese monetary policy based on Table 2. The dependent variable is the cumulative abnormal return (based on the CAPM model) for individual stocks listed in the U.S. market. Day 0 represents Chinese monetary policy announcement days, and we use 63 events. Panels A and B split the sample into two periods: before and after 2015. The independent variables include a dummy variable for stocks held by Chinese QDII funds based on the latest available information, Chinese monetary policy shocks, U.S. monetary policy shocks, daily changes in the log VIX index, daily changes in the log commodity price index, size, market beta, turnover, and the past one-month return. We include firm and industry-by-event fixed effects. We omit control variables to save space. All standard errors are clustered at the firm level and reported in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

Table A17 INDIVIDUAL U.S. STOCK RETURN RESPONSE IN QUOTA EXPANSION

Event Window	(1) [-1, -1]	(2) [-1, 0]	(3) [-1, 1]	(4) [-1, 2]	(5) [-1, 3]	(6) [-1, 4]	(7) [-1, 5]	(8) [-1, 6]	(9) [-1, 7]	(10) [-1, 8]	(11) [-1, 9]	(12) [-1, 10]
1_{t-1}^{China}	0.001	0.004	0.001	0.006	0.013**	0.011*	0.013*	0.014**	0.025***	0.019**	0.026***	0.030***
	(0.002)	(0.003)	(0.004)	(0.005)	(0.005)	(0.006)	(0.006)	(0.007)	(0.007)	(0.008)	(0.008)	(0.009)
$1_{t-1}^{\text{China}} * \text{MPS}_t^{\text{China}}$	-0.006***	-0.005***	-0.006***	-0.007***	-0.004	-0.002	-0.001	-0.005	0.002	0.006*	0.005	0.004
	(0.001)	(0.001)	(0.002)	(0.002)	(0.002)	(0.002)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.004)
$1_{t-1}^{\text{China}} * \text{MPS}_t^{\text{US}}$	-0.007***	-0.009***	-0.014***	-0.011***	-0.003	-0.002	-0.005	-0.002	-0.001	-0.001	-0.001	-0.004
	(0.002)	(0.002)	(0.003)	(0.004)	(0.004)	(0.004)	(0.004)	(0.005)	(0.005)	(0.006)	(0.006)	(0.006)
$1_{t-1}^{\text{China}} * \Delta \log \text{VIX}_t$	0.001	-0.002	-0.002	-0.004**	-0.007***	-0.006***	-0.006**	-0.009***	-0.010***	-0.008***	-0.009***	-0.007**
	(0.001)	(0.001)	(0.002)	(0.002)	(0.002)	(0.002)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
$1_{t-1}^{\text{China}} * \Delta \log \text{Price}_t^{\text{Commodity}}$	0.036**	0.125***	0.183***	0.130***	0.060*	-0.016	-0.030	-0.028	-0.074	-0.070	-0.074	-0.105*
	(0.014)	(0.020)	(0.024)	(0.032)	(0.034)	(0.036)	(0.039)	(0.046)	(0.048)	(0.050)	(0.053)	(0.055)
Size	-0.001	0.003*	0.006***	0.008***	0.008***	0.004	0.007**	0.004	0.006	0.004	0.002	0.004
	(0.001)	(0.002)	(0.002)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.004)	(0.004)	(0.004)	(0.005)
β^{US}	0.009***	0.009***	0.010***	0.014***	0.014***	0.010*	0.010**	0.014**	0.007	0.008	0.011*	0.010
	(0.001)	(0.002)	(0.004)	(0.005)	(0.005)	(0.005)	(0.005)	(0.005)	(0.006)	(0.006)	(0.006)	(0.006)
Turnover	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Past One-month Return	0.006***	0.007**	0.025**	0.042*	0.045*	0.048**	0.055**	0.059**	0.064***	0.071***	0.076***	0.083***
	(0.002)	(0.003)	(0.013)	(0.024)	(0.024)	(0.024)	(0.023)	(0.023)	(0.023)	(0.023)	(0.023)	(0.023)
Constant	-0.153***	-0.227***	-0.659**	-1.058**	-1.138**	-1.175**	-1.360***	-1.407***	-1.561***	-1.649***	-1.734***	-1.931***
	(0.045)	(0.063)	(0.271)	(0.513)	(0.508)	(0.506)	(0.502)	(0.497)	(0.490)	(0.490)	(0.497)	(0.505)
Observations	187222	187222	187222	187222	187222	187222	187222	187222	187222	187222	187222	187222
Adjusted R^2	0.753	0.767	0.760	0.764	0.765	0.776	0.782	0.793	0.794	0.792	0.794	0.804
Fixed Effect						Firm, Industry×Event						
Number of Events						43						

NOTE. The event study is conducted around QDII quota expansion approval days. Day 0 is defined as the first day in a month when a quota expansion for an individual institutional investor was approved, and the sample includes 43 events from 2008 to 2023. The dependent variable is the cumulative abnormal return (based on the CAPM model). Independent variables include a dummy for stocks held by Chinese QDII funds based on the latest available information, firm size, market beta, turnover, and the past one-month return. We control for contemporaneous macroeconomic shocks, including Chinese monetary policy shocks, U.S. monetary policy shocks, changes in the VIX index, and changes in commodity prices. Firm and industry-by-event fixed effects are included. All standard errors are clustered at the firm level and reported in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

Table A18 INDIVIDUAL U.S. STOCK RETURN RESPONSE IN THE RUN UP TO SPRING FESTIVALS

Event Window	[-1, -1] (1)	[-1, 0] (2)	[-1, 1] (3)	[-1, 2] (4)	[-1, 3] (5)	[-1, 4] (6)	[-1, 5] (7)	[-1, 6] (8)	[-1, 7] (9)	[-1, 8] (10)	[-1, 9] (11)	[-1, 10] (12)
1_{t-1}^{China}	-0.003**	-0.006***	-0.008***	-0.008***	-0.007**	-0.011***	-0.011***	-0.017***	-0.013***	-0.012***	-0.016***	-0.014***
	(0.001)	(0.002)	(0.002)	(0.003)	(0.003)	(0.003)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.005)
$1_{t-1}^{\text{China}} * \text{MPS}_t^{\text{China}}$	-0.000	-0.000	-0.000	0.001	-0.000	0.000	-0.001	0.001	-0.001	0.000	0.001	0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)	(0.002)	(0.002)
$1_{t-1}^{\text{China}} * \text{MPS}_t^{\text{US}}$	-0.002	-0.003	-0.008**	-0.009**	-0.003	-0.003	-0.007	-0.010*	-0.005	-0.005	-0.009	-0.010
	(0.002)	(0.003)	(0.004)	(0.004)	(0.005)	(0.005)	(0.005)	(0.006)	(0.006)	(0.006)	(0.006)	(0.007)
$1_{t-1}^{\text{China}} * \Delta \log \text{VIX}_t$	0.004***	0.001	0.003	-0.001	-0.003	-0.005	0.001	0.001	0.001	0.001	0.002	0.006
	(0.001)	(0.002)	(0.002)	(0.002)	(0.003)	(0.003)	(0.003)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
$1_{t-1}^{\text{China}} * \Delta \log \text{Price}_t^{\text{Commodity}}$	0.039***	0.025**	0.020	0.015	-0.038**	-0.057***	-0.074***	-0.060***	-0.067***	-0.087***	-0.066**	-0.025
	(0.009)	(0.011)	(0.015)	(0.017)	(0.019)	(0.020)	(0.021)	(0.023)	(0.024)	(0.025)	(0.026)	(0.027)
Size	-0.001	-0.001	-0.003*	-0.002	-0.008***	-0.011***	-0.013***	-0.011***	-0.010***	-0.010***	-0.010***	-0.009***
	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
β^{US}	0.000	0.001	0.004***	0.003*	0.001	0.001	0.000	0.000	-0.001	-0.002	-0.003	-0.003
	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.003)	(0.003)
Turnover	-0.000	0.000**	0.000	0.000	0.000	0.000	0.000	0.000	0.000*	0.000*	0.000*	0.000*
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Past One-month Return	-0.002	-0.002*	-0.005**	-0.007**	-0.006*	-0.008**	-0.008**	-0.009**	-0.013***	-0.012***	-0.010**	-0.012***
	(0.001)	(0.001)	(0.002)	(0.003)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.005)	(0.005)
Constant	0.062**	0.087***	0.164***	0.189***	0.256***	0.345***	0.385***	0.371***	0.441***	0.434***	0.399***	0.434***
	(0.026)	(0.032)	(0.059)	(0.067)	(0.085)	(0.086)	(0.086)	(0.091)	(0.102)	(0.098)	(0.107)	(0.108)
Observations	73872	73872	73872	73872	73872	73872	73872	73872	73872	73872	73872	73872
Adjusted R^2	0.689	0.695	0.637	0.654	0.660	0.660	0.671	0.680	0.681	0.676	0.685	0.680
Fixed Effect						Firm, Industry×Event						
Number of Events						16						

NOTE. The event study is conducted around the Chinese Spring Festival. Day 0 represents 6 trading days before the Chinese Spring Festival and we use 16 events from 2008 to 2023. The dependent variable is the cumulative abnormal return (based on the CAPM model). The independent variables include a dummy variable for stocks held by Chinese QDII funds based on the latest available information, size, market beta, turnover, and the past one-month return. We control for the effects of contemporaneous macro shocks such as Chinese monetary policy shocks, US monetary policy shocks, changes in the VIX index and changes in commodity prices. We include firm and industry-by-event fixed effects. All standard errors are clustered at the firm level and reported in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

Table A19 MSCI COUNTRY STOCK RETURN RESPONSES ON CHINESE MONETARY POLICY ANNOUNCEMENT DAYS: ROBUSTNESS

	MSCI Return (USD)			MSCI Return (LC)			Exchange Rate Change		
	All Sample	AE	EME	All Sample	AE	EME	All Sample	AE	EME
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
$w_{c,t-1} * \text{MPS}_t^{\text{China}}$	-0.105***	-0.154**	-0.073**	-0.115***	-0.173**	-0.085**	0.593	1.019	0.899
	(0.028)	(0.061)	(0.036)	(0.034)	(0.084)	(0.040)	(0.936)	(2.857)	(0.836)
$w_{c,t-1} * \text{MPS}_t^{\text{US}}$	0.007	-0.008	0.014	0.011	0.005	0.014	-0.513	-1.010	-0.510
	(0.009)	(0.016)	(0.017)	(0.011)	(0.021)	(0.018)	(0.363)	(0.799)	(0.517)
$w_{c,t-1} * \Delta \log \text{VIX}_t$	-0.027	0.360	-0.013	-0.000	0.060	-0.034	-4.601	20.717	-0.300
	(0.200)	(0.449)	(0.205)	(0.203)	(0.584)	(0.223)	(2.968)	(21.943)	(3.697)
$w_{c,t-1} * \Delta \log \text{Price}_t^{\text{Commodity}}$	-3.621*	0.830	-3.214	-3.135	-1.737	-3.014	-43.692	140.958	33.785
	(2.015)	(3.859)	(2.497)	(2.143)	(5.061)	(2.687)	(49.644)	(183.441)	(55.137)
$w_{c,t-1}$	-0.014	0.057	-0.017	-0.019	0.021	-0.022	0.438	2.780	0.573
	(0.019)	(0.045)	(0.022)	(0.021)	(0.058)	(0.024)	(0.352)	(1.938)	(0.398)
$\text{ODI}_{c,t} * \text{MPS}_t^{\text{China}}$	0.027***	0.042*	-0.266**	0.031**	0.049	-0.231	-0.189	-0.360	1.232
	(0.010)	(0.022)	(0.127)	(0.012)	(0.030)	(0.149)	(0.346)	(1.044)	(4.569)
$\text{ODI}_{c,t} * \text{MPS}_t^{\text{US}}$	-0.001	0.005	-0.064	-0.003	-0.001	-0.002	0.257	0.416	-0.032
	(0.006)	(0.008)	(0.172)	(0.007)	(0.011)	(0.172)	(0.189)	(0.372)	(3.726)
$\text{ODI}_{c,t} * \Delta \log \text{VIX}_t$	-0.045	-0.139	-1.064	-0.060	-0.060	0.202	2.610	-5.540	-114.465*
	(0.115)	(0.179)	(1.974)	(0.124)	(0.224)	(2.200)	(2.186)	(7.863)	(64.227)
$\text{ODI}_{c,t-1} * \Delta \log \text{Price}_t^{\text{Commodity}}$	1.436	0.060	-17.726	0.873	0.404	-8.032	61.370***	8.285	-1358.571**
	(0.903)	(1.441)	(16.333)	(0.960)	(1.893)	(20.786)	(22.465)	(65.664)	(655.675)
$\text{ODI}_{c,t-1}$	0.016	0.036	-0.090	0.009	0.039	-0.015	0.583	0.201	-5.080
	(0.028)	(0.036)	(0.208)	(0.031)	(0.040)	(0.235)	(0.729)	(1.059)	(5.882)
Industry Production	0.003	-0.001	0.003	0.002	-0.003	0.002	0.095	0.181*	0.254
	(0.004)	(0.004)	(0.008)	(0.004)	(0.004)	(0.008)	(0.086)	(0.096)	(0.203)
Trade with China	0.000	0.000	0.000	-0.000	-0.000	-0.000	0.002	0.014	-0.001
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.005)	(0.009)	(0.005)
Lagged Dep. Variable	-0.143***	-0.278***	-0.067	-0.122**	-0.254***	-0.043	-23.423***	-15.760**	-25.973**
	(0.039)	(0.055)	(0.054)	(0.049)	(0.053)	(0.069)	(7.775)	(6.844)	(10.384)
Fixed Effects	Country, Event								
Number of Events	63								
Number of Countries	55	25	30	55	25	30	55	25	30
Observations	3091	1470	1618	3040	1446	1590	3040	1446	1590
Adjusted R^2	0.375	0.514	0.325	0.380	0.518	0.342	0.284	0.546	0.206

NOTE. This regression is based on 63 events from 2008 to 2023 when the Chinese authorities announced its monetary policies. The dependent variables are the returns on (i) MSCI USD (Columns 1-3), (ii) MSCI local currency (Columns 4-6), and (iii) the bilateral exchange rate with the US (local currency per US dollar) (Columns 7-9). Independent variables include the value of stocks held by Chinese QDII funds (normalized by market capitalization) $w_{c,t-1}$, Chinese monetary policy shocks, U.S. monetary policy shocks, changes in log VIX index, changes in log commodity prices, outward direct investment (ODI) with China (normalized by total Chinese ODI), year-over-year changes in industrial production, normalized bilateral trade with China and the lagged dependent variable. Standard errors are clustered at the country-by-event level and reported in parentheses. *, ** and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Table A20 ROBUSTNESS: RETAIL AND INSTITUTIONAL FUND FLOWS

	Active Equity Funds (42)		Passive Equity Funds (113)		Active Hybrid Funds (57)		Active Bond Funds (8)	
	Retail	Institutional	Retail	Institutional	Retail	Institutional	Retail	Institutional
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
MPS_t^{China}	-0.066***	-0.029***	-0.006	-0.011	-0.062***	-0.034***	0.020	-0.012
	(0.024)	(0.009)	(0.029)	(0.013)	(0.020)	(0.010)	(0.043)	(0.025)
MPS_t^{US}	-0.018***	-0.002	-0.018**	-0.004	-0.028***	-0.007*	0.036	0.004
	(0.006)	(0.004)	(0.008)	(0.004)	(0.010)	(0.004)	(0.053)	(0.014)
$\Delta \log \text{VIX}_t$	0.014	-0.009	0.104***	0.027**	-0.013	0.003	-0.036	-0.091*
	(0.021)	(0.008)	(0.032)	(0.012)	(0.015)	(0.006)	(0.087)	(0.046)
$\Delta \log \text{Price}_t^{Commodity}$	0.134	0.041	-0.133	0.056**	0.105	0.067**	-0.565*	-0.313**
	(0.083)	(0.029)	(0.092)	(0.024)	(0.066)	(0.030)	(0.261)	(0.115)
Fund Return_{t-1}	0.001	0.001**	-0.001	-0.000	0.003***	0.002***	0.007	0.005*
	(0.001)	(0.000)	(0.001)	(0.000)	(0.001)	(0.000)	(0.005)	(0.003)
Fund Flow_{t-1}	-0.005	-0.003	-0.007	0.004	-0.025***	-0.004	-0.012	0.008
	(0.004)	(0.003)	(0.007)	(0.006)	(0.007)	(0.011)	(0.017)	(0.006)
Constant	0.011***	0.003***	0.085***	0.021***	0.019***	0.007***	0.077***	0.027***
	(0.002)	(0.001)	(0.003)	(0.001)	(0.001)	(0.001)	(0.014)	(0.003)
Equality of Coefficients on MPS_t^{China}	4.63		0.07		3.33		1.07	
	0.0315		0.7928		0.0679		0.3003	
Observations	1072	1072	1567	1567	1342	1342	197	197
Adjusted R^2	0.056	0.024	0.068	0.169	0.046	0.027	0.023	0.063

NOTE. The dependent variable is the retail (or institutional) fund flow, constructed as in equation (3) for each QDII fund in each quarter, using the share of retail and institutional investors to calculate net assets for retail and institutional flows, respectively. Independent variables include Chinese monetary policy shocks, U.S. monetary policy shocks, changes in the log VIX index, log commodity prices, past mutual fund returns, and past fund flows. Fund fixed effects are also included. We report results separately for active equity, passive equity, active hybrid, and active bond funds. Standard errors are clustered at the fund level and reported in parentheses. *, ** and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively. We also conduct an F-test for the equality of coefficients on the Chinese monetary policy shocks using samples of retail and institutional flows separately, reporting both the F-statistics and the corresponding p-values.