

## FIN RESEARCH SEMINAR

### China's Increasing Global Financial Impact

Dr. Sili Zhou

Date: 11th October 2023

Time: 1:00pm-2:30pm (China Standard)

Location: BS 2114

Tencent ID: 873-893-636

Link: <https://meeting.tencent.com/dm/iVZV4qwTx30y>

#### **BIOGRAPHY OF PRESENTER**

Sili Zhou currently serves as Associate Professor in Finance at Faculty of Business Administration, University of Macau in Macau, China. Before joining the University of Macau, he was an Assistant Professor in Finance at the Fanhai International School of Finance(FISF) and School of Economics(SOE), Fudan University in Shanghai. He also joined APAEM at University of Macau.

Professor Zhou obtained his Ph.D. degree in Business (Finance) from at Lee Kong Chian School of Business of Singapore Management University (SMU) in 2017, M.A. in Economics from Shanghai University of Finance and Economics in 2013 and B.A. in Economics from Zhongnan University of Economics and B.S. in Computer Science from Huazhong University of Science and Technology in 2011.

Professor Zhou's research interests include international finance, corporate finance and Chinese financial markets. His research has been published in leading academic journals including Journal of the European Economic Association, Journal of Corporate Finance, Emerging Markets Review etc. His research is also widely featured in Wall Street Journal, UNIDO, Covid Economics, VoxChina, Fed, BOFIT etc.

#### **ABSTRACT:**

Even without complete financial liberalization, China can exert an influence on global equity markets through its pivotal role in world markets for commodities, goods, and services. In this paper, we investigate the price impact of Chinese portfolio equity investments abroad on individual and country stock returns worldwide. We use granular stock holding data from 2007 to 2019 in the Qualified Domestic Institutional Investors (QDII) program, which provide identification as a source of exposure to a China-specific shock. As a conduit, we focus on Chinese monetary policy that correlates positively with global equity returns after 2007, when the QDII program was introduced. We find that the sensitivity to Chinese monetary policy changes of individual stock returns worldwide depends on the portfolio rebalancing of QDII funds. This sensitivity gets larger when the QDII funds increase their holdings of foreign stocks. We also find that Chinese QDII funds react to monetary policy easing by rebalancing from safe assets such as bank deposits to risky assets and particularly foreign equities. These results speak to a growing global financial impact of China and suggest that a more fully liberalized capital account could indeed have a significant impact on US and world equity markets.

