復旦大學·泛海國際金融學院
Fanhai International School of Finance, Fudan University

第八届泛海经济金融研讨会 (泛海论文英雄大会)

The 8th Fanhai Economics and Finance Workshop

2023 年 5 月 30 日星期二 9:55 – 17:45
Tuesday, 30th May 2023

上海市黄浦区西藏中路 18 号港陆广场 1113 北京厅
1113, No.18 Middle Xizang Rd, Harbour Ring Plaza, Huangpu District, Shanghai

Rule of presentation: Each regular paper has 20 min in total: 10 min for presentation and 10 min for Q&A. No question is allowed for the first 10 min.

9:30 – 9:55 Registration and Reception

	Opening Remarks & Chairman's Address
9:55 – 10:00	**Opening Remarks - Huasheng Gao, FISF**
10:00 – 10:20	**Chairman's Address - Shang-Jin Wei, FISF**
10:20 – 10:40	**The "Top-School" Premium in Housing Prices** *By Shang-Jin Wei, Chairman of Academic Council, FISF*
10:40 – 11:00	**Coffee Break**

Session 1	China-US relation, Tax and Credit, Financial Econometrics Session Chair: Chloe Yang, FISF
11:00 – 11:20	**US-China Tension** (John Rogers, Bo Sun and Tony Sun) *By John Rogers, FISF*

Abstract: We construct a quantitative indicator of tension between the U.S. and China using news-based textual analysis, and examine its economic transmission. Our baseline U.S.- China Tension index (UCT) is constructed from eight major U.S. newspapers. We also construct three separate indexes using newspapers in China, Canada, and the United Kingdom. This allows us to document differences in perspectives on issues that give rise to bilateral tension between the U.S. and China. According to all of our western-based indexes, U.S.-China tensions rise around the Tibet unrest and China military buildup in 2008, arrest of a Huawei executive in 2018, the sustained trade disputes in 2018- 2019, onset of the global pandemic and mutual blaming over the spread of coronavirus, and war in Ukraine. Our China-based index often exhibits noticeably different patterns, including around the Belgrade embassy bombing (May 1999), Hainan Island spy plane standoff in 2001, during the pandemic, and the kerfuffle over the recent visit of highprofile U.S. legislators to Taiwan. Such differences are suggestive of "media slant" driven by domestic economic and political factors. On the other hand, all of our indexes are quiescent throughout late 2000, following the U.S. Congress passing a bill in October granting permanent normal trade relations (PNTR) status to China. We validate our U.S.-based measure by showing that it closely tracks the share of related discussions in U.S. firms' earnings conference calls and that it correlates with firm actions in ways that are highly indicative of firm concerns about bilateral tensions: elevated tension is associated with protracted declines in U.S. corporate investment, especially among firms that are expected to be exposed to the bilateral tensions. We also find adverse economic effects in aggregate data from both the U.S. and China, even after accounting for a large number of factors traditionally used to explain such effects. Impulse responses from medium-sized VARs show that positive shocks to UCT lead to protracted output declines, increased credit spreads, and reduced bilateral imports and exports. The output and effects are milder and less persistent in the Chinese data than the United States.

11:20 – 11:40 **Dividend Tax Cut, Bank Credit Supply, and the Real Economy** (Oliver Zhen Li, Yupeng Lin and Keyuan Zhang)
By Oliver Zhen Li, NUS

Abstract: We show that after the 2003 dividend tax cut, C-banks whose investors are subject to the dividend tax had a higher loan growth rate than S-banks. Such an enhanced credit supply due to the tax cut significantly impacted the real economy. Small businesses had more access to C-bank debt financing, boosting entrepreneurship. More households obtained mortgage approvals from C-banks and low income and certain minority applicants benefited more. C-banks also issued more personal loans to households after the tax cut, expanding the consumption sector. Complementing Yagan (2015), we show an important yet unvisited credit supply effect of the tax cut.

11:40 – 12:00 **Improving Estimation Efficiency via Regression-Adjustment in Covariate-Adaptive Randomizations with Imperfect Compliance** (Haihan Tang, Liang Jiang, Oliver B. Linton and Yichong Zhang)

By Haihan Tang, FISF

Abstract: We study how to improve efficiency via regression adjustments with additional covariates under covariate-adaptive randomizations (CARs) when subject compliance is imperfect. We first establish the semiparametric efficiency bound for the local average treatment effect (LATE) under CARs. Second, we develop a general regression-adjusted LATE estimator which allows for parametric, nonparametric, and regularized adjustments. Even when the adjustments are misspecified, our proposed estimator is still consistent and asymptotically normal, and their inference method still achieves the exact asymptotic size under the null. When the adjustments are correctly specified, our estimator achieves the semiparametric efficiency bound. Third, we derive the optimal linear adjustment that leads to the smallest asymptotic variance among all linear adjustments. We then show that the commonly used two stage least squares estimator is not optimal in the class of LATE estimators with linear adjustments while Ansel et al (2018) estimator is. Fourth, we show how to construct a LATE estimator with nonlinear adjustments which is more efficient than those with the optimal linear adjustment. Fifth, we give conditions under which LATE estimators with nonparametric and regularized adjustments achieve the semiparametric efficiency bound. Finally, simulation evidence and empirical application confirm efficiency gains achieved by regression adjustments relative to both the estimator without adjustment and the commonly used two-stage least squares estimator.

12:00 – 13:00 **Lunch**

Session 2	**Investor Behavior** **Session Chair: Xiaomeng Lu, FISF**

13:00 – 13:20 **Which Stocks Run Up in Bubbles? The Role of Retail Investors** (Weihua Chen, Shushu Liang, Donghui Shi)

By Donghui Shi, FISF

Abstract: We decompose and quantify different channels that contribute to the formation of stock bubbles. "Bubbles" are defined as stocks that experience sharp price run-ups and subsequent crashes. We use administrative account-level holding data spanning the 2015 Chinese stock market bubble. The data cover a representative sample of 18 million retail investors and all institutional investors. We examine the cross-sectional differences in stock bubble sizes. We find that stocks are more likely to experience bigger bubbles when they are owned by more retail investors, are less profitable, have a lower dividend, have a higher beta, are smaller, or are younger. We then estimate investors' heterogeneous demand functions for stocks and conduct counterfactual analyses. Fundamental changes in stocks lead to the bubble's early run-up, but not late run-up or crash. During the bubble's late runup, new entrants accounted for 43% of the cross-sectional stock return variance. Existing retail investors influence stock returns mainly by changing their preferences or beliefs (16% of variance). We confirm that retail investors drive the bubble because they have high demand for stock characteristics associated with big bubble stocks, and institutions with low price elasticity do not offset the demand from retail investors.

13:20 – 13:40 **The Stock Market Index and Investors' Participation** (Xuexiang Ding, Huasheng Gao, Donghui Shi, and Mengfan Yin)
By Mengfan Yin, FISF

Abstract: We study the effect of market portfolio on shareholders' participation in the stock market, by exploiting the creation of A50 index in China's STAR board. We show that the creation of A50 index leads to a significant increase in shareholders' participation in the STAR board, relative to the main board. We further identify two channels for the market index to increase shareholder participation: (1) helping investors better assess the market condition and (2) attracting shareholders' attention.

13:40 – 14:00 **Passive Hedge Funds** (Lin Sun and Melvyn Teo)
By Lin Sun, FISF

Abstract: Hedge funds are widely considered to be active investors in financial markets. Yet, they often hold long positions in passive exchange-traded funds (ETFs). We find that hedge funds that hold ETFs trade less actively and underperform after adjusting for risk. Consistent with an agency explanation, the underperformance is greater for funds with low manager deltas, high management fees to performance fees, and low sensitivity of fund flows to performance. By exploiting regulatory reform that targets hedge fund fraud, we provide causal evidence that relates agency problems to hedge fund ETF usage and the underperformance of hedge funds that hold ETFs.

14:00 – 14:15 Coffee Break

Session 3	**Macro Finance** **Session Chair: Dunzhe Tang, FISF**

14:15 – 14:35 **Bond Financing Channel of Monetary Policy: Evidence from Chinese Bank Lending** (Lu Bing, Yi Huang and Hao Zhou)
By Yi Huang, FISF

Abstract: Using granular loan-level data from China, we examine the lending response to bond financing costs fluctuation incurred by monetary policy shocks. Tighter monetary policy in-creases loan rate and loan spread, at the same time reduces loan volume and improves loan quality. The pass-through of monetary policy is genuinely heterogeneous—stronger during monetary con-tractions, among manufacturing firms, and in areas with lower income, weaker fiscal capacity, and smaller banking penetration.

14:35 – 14:55 **What are Primary Drivers of the Global Financial Cycle?** (Wenbin Wu, John Rogers and Bo Sun)
By Wenbin Wu, FISF

Abstract: Existing literature finds that U.S. monetary policy has powerful spillover effects on the on the Global Financial Cycle (GFC) and is the key driver of it. We re-examine this claim in models that allow for simultaneous identification of multiple shocks without relying on timing or sign restrictions. We find that financial shocks, especially shocks to U.S. corporate bond spreads or the excess bond premium (EBP), have large effects on the global financial cycle and are the most important driver of it. Shocks to U.S. corporate bond spreads that are orthogonal to shocks to U.S. monetary policy, leverage of financial intermediaries, interest rate spreads, credit supply, risk aversion, and the macroeconomy are the most important, especially in the short run but across all horizons. U.S. monetary policy shocks account for considerably less. Thus, the hegemon of the U.S. in global financial systems may be rooted in the centrality of its financial intermediaries---and the dollar---rather than the Fed itself.

14:55 – 15:15 **China's Increasing Global Financial Impact** (Chang Ma, Alessandro Rebucci and Sili Zhou)
By Chang Ma, FISF

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 U.S. and world equity markets.

15:15 – 15:30 **Coffee Break**

Session 4	Corporate Finance Session Chair: Julie Zhu, FISF

15:30 – 15:50 **Centralization or Decentralization? The Evolution of State-Ownership in China (**Franklin Allen, Junhui Cai, Xian Gu, Jun "QJ" Qian, Linda H. Zhao and Wu Zhu)
By Jun Qian, FISF

Abstract: We re-examine the state sector and its role in the Chinese economy by using the information on the ownership networks of 40 million firms for 1990-2017. We propose a new measure of state-owned enterprises (SOEs) and partial SOEs based on the firm-to-firm equity investment relationships. Our measure captures a significantly larger number of SOEs than the existing measures. The aggregated capital of all the SOEs (including partial SOEs) has climbed up to 85%, and the total state capital in all the SOEs has increased to 31%, both over total capital in the economy by the end of 2017. State ownership shows parallel trends of decentralization and indirect control over time. Mixed ownership is associated with higher firm growth and better performance as measured by higher profitability and productivity, while a greater hierarchical distance to the central and provincial governments is associated with better firm performance but lower growth. Drawing a stark distinction between SOEs and privately-owned enterprises could lead to misperceptions of the role of state ownership in the Chinese economy.

15:50 – 16:10 **Ownership Concentration and Crisis Recovery** (Yifan Zhou and Sheng Huang)
By Yifan Zhou, FISF

Abstract: This paper examines the effects of having a concentrated ownership structure during the 2008-09 financial crisis (GFC) on post-crisis recovery. We find that firms with higher ownership concentrations outperform those with lower concentrations in abnormal returns, ROA, sales growth, Tobin's Q, and asset turnover in the decade following the GFC. The effect is driven almost exclusively by external blockholder concentration. Focusing on blockholders, we further discover that during the GFC, blockholder concentration was associated with i) more votes against manager-initiated proposals, ii) a higher probability of appointing a new CEO and/or director, and iii) issuance of less net debt. These firm decisions are in turn associated with superior post-crisis performance.

16:10 – 16:30 **Avoiding Being Underwater** (Xiaxin Wang)
By Xiaxin Wang, FISF

Abstract: N/A

16:30 – 16:45 **Coffee Break**

Session 5	Interdisciplinary Topics Session Chair: Wenyun Shi, FISF

16:45 – 17:05 **Deep Tangency Portfolios** (Guanhao Feng, Liang Jiang, Junye Li and Yizhi Song)
By Liang Jiang, FISF

Abstract: We propose a parametric approach for directly estimating the optimal portfolio weights based on a fundamental economic theory by employing deep learning techniques. The deep tangency portfolio is a combination of the market portfolio and a deep long-short factor constructed using a large number of characteristics. We apply our approach to the corporate bond market. Albeit acting as a market-hedge portfolio, the deep factor achieves

a sizable market price of risk with an out-of-sample annualized Sharpe ratio of 2.08. The deep tangency portfolio outperforms those constructed from commonly used observable or latent factors with an out-of-sample annualized Sharpe ratio of 3.34. In addition, our findings provide further empirical evidence supporting the integration between bond and equity markets.

17:05 – 17:25 **Short-term and Long-term Effects of an Anti-corruption Campaign: Evidence from the Chinese Football Association Super League** (Huasheng Gao, Yu Han, Wenbin Wu)

By Huasheng Gao, FISF

Abstract: Anti-corruption campaigns are employed by many countries to fight corruption, but measuring their short-term and long-term effects is difficult because of serious endogeneity problems. Data on an anti-corruption campaign of the Chinese Football Association Super League (CFASL) offer a unique perspective to investigate this question. Match rigging, the primary target of the anti-corruption campaign, is identified using the method proposed by Duggan and Levitt (2002). We found that prior to the anti-corruption campaign, a team's performance (i.e., win, draw, or lose) dramatically improved at key matches, when a team faced relegation if a draw or loss was the outcome. We show that this result was driven by match rigging rather than by greater efforts or aggressiveness at these matches. During the anti-corruption campaign, match rigging was significantly reduced. When the anti-corruption campaign is over, we identified duplicitous behavior again by teams, that is, about 71.5% compared to that before the campaign. Our results suggest that the anti-corruption campaign had a significant impact on corruption in the short run, but the effect died out quickly in the long run.

17:25 – 17:45 **A Liberalization Spillover From the Equity to Bond Market: Evidence from China** (Yun Dai, Yongqin Wang and Xiaoyang Xue)

By Yongqin Wang, FISF and SOE

Abstract: The remarkable economic growth promoted by opening a country's equity market seems to be a puzzle, as the equity market only composes a small part of the financial system of developing markets. This paper studies the cross-market spillover effect of equity market liberalization. Exploiting the launch of Shanghai-Hong Kong Stock Connect as a quasi-natural experiment, we find that the opening equity market to foreign investors lowers firms' cost of bond financing by improving equity pricing efficiency. The reduction in bond financing cost is more pronounced for firms with lower ex-ante pricing efficiency and worse debt security. Further analysis reveals that firms increase their bond financing and investment afterward. Taken together, our findings shed light on how equity market liberalization lowers the cost of capital and promotes economic growth.

Closing Remarks and Dinner

17:45 – 20:00 **Closing Remarks by Jun Qian, FISF**

Dinner (晶采轩 - 2F, Metropolo Jinjiang Hotels, 123 South Xizang Road)

- End -