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An Analysis of the Influence of Geopolitical Risk on the Efficiency of Chinese Equity Market

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Abstract: This research examines the influence of geopolitical risk on the pricing efficiency of the Chinese equity market. The emergence of the epidemic and the prevalence of geopolitical events have altered geopolitical risk, resulting in a substantial rise in financial market volatility. This study intends to examine the process by which geopolitical risk influences price efficiency. Geopolitical risk (GPR) and information rates (IR) are first chosen, and a vector autoregressive model is developed to thoroughly investigate the direct long-term link between GPR and IR in Chinese equity market. The research indicates that: i) An increase in geopolitical risk results in a long-term decrease in pricing efficiency within the Chinese equity market. ii) The effect gradually diminishes over time, indicating that the market can assimilate the knowledge in the long term, so restoring price efficiency to a stable state. iii) The influence of geopolitical risk on the pricing efficiency of the Chinese equity market during the epidemic was significantly more pronounced. iv) The Chinese equity market is now regarded as inefficient, with an anticipated enhancement in its capacity to assimilate and process information in the near term. The results are enlightening for investors and policymakers. It offers significant insights into the correlation between pricing efficiency and geopolitical risk in the Chinese equity market.

Keywords: Geopolitical Risk, Pricing Efficiency, Vector Autoregression Model.

1. Introduction

The international economy has progressed swiftly in recent years, and technology is expanding significantly. Nonetheless, the emergence of COVID-19 and the escalation of political circumstances in some areas are rapidly altering global concerns. Simultaneously, political issues significantly influence economic development. The US-China trade war of 2018 led to heightened tariffs in the realm of international commerce between the two nations. This significantly affected the international supply chain, adversely impacting both America and China, as well as the world economy system. The persistent conflict in Ukraine has led to a decline in ties between the West and Russia. This research has several practical implications regarding the influence of geopolitical risk on the efficiency of Chinese capital markets.

Initially, investor attitude may be influenced by geopolitical dangers, subsequently affecting the investment decisions of capital market players. The study enables investors to make better informed decisions and evaluate market risks and rewards with more precision. Secondly, substantial price fluctuations in capital markets may be instigated by geopolitical events. This study aims to elucidate the mechanics and underlying causes of market price fluctuations to facilitate the implementation of

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effective risk management solutions. Third, the government's macrocontrol and regulatory policies are influenced by geopolitical threats. The government can utilize the information to formulate and amend economic policies that foster the robust development of the capital marketplace. Ultimately, geopolitical concerns might impact not just certain developing nations but also have repercussions on the global capital market. The study can facilitate global cooperation and the exchange of data while concurrently controlling political risks and maintaining the stability and expansion of global financial markets.

Geopolitical risk definition and evaluation have been debated by many scholars. Bittlingmayer analyzes German data from 1880 to 1940 to investigate the impact of instability in politics on volatility in the equity market and economic output. The research employed a 'natural experiment' to examine how political risk affects market price over time. It shows how political instability affects market volatility and supports modern geopolitical risk research [1]. Pastor and Veronesi examine how frequent policy changes affect stock prices and financial markets. The study presents a theoretical model that explains how policy uncertainty affects asset price and may be used to geopolitical risk to explain financial market reactions [2]. Mudassar used GPR to estimate stock market returns and volatility and explored how geopolitical issues, including terrorism, affect the tourism sector [3]. Caldara and Iacoviello use text mining to create the Geopolitical Risk Index (GPR Index) [4]. Most geopolitical risk analysts use this indicator. This research examined geopolitical risk and Chinese stock market pricing efficiency by using the GRP Index.

Pricing efficiency is the speed and accuracy with which prices absorb all relevant facts. In 1970, acclaimed American economist Eugene Fama proposed the Efficient Market Hypothesis. The EMH assumes rational players who respond quickly to market information [5]. Based on the EMH, West distinguished between external and inernal efficiency in the equity market. External efficiency, or "pricing efficiency", is asset prices' ability to quickly and fully integrate trustworthy information [6]. Hou and Moskowitz measured pricing efficiency using stock market price delay. Their pricing efficiency-based technique provides an accurate stock price efficiency evaluation [7]. Its drawbacks include high computational requirements and inefficient data processing. In 1989, Grinold introduced the information ratio, it is used to demonstrate the Chinese stock market's pricing efficiency. As a measure of the excess return relative to risk, the Information Ratio (IR) is used to investment portfolios or markets. Increased information ratios frequently indicate stock market price efficiency. Grinold found that the Information Ratio (IR) may properly reflect excess return stability, risk-adjusted performance, and benchmark correlation [8]. A high information ratio signifies that the market can reliably deliver sustained excess returns, notwithstanding its volatility. This stability indicates the market's efficient reaction to information, implying that it may attain consistent excess returns with minimum volatility. The elevated information ratio signifies that the market yields more and more consistent excess returns per unit of risk, demonstrating efficient information processing and enhanced pricing efficacy. The market's capacity to attain consistent excess returns with less risk indicates a prompt and precise reaction to information, resulting in enhanced price efficiency. This conclusion is corroborated by other research. One example is the model of price delays by Hou and Moskowitz, which correlates with information ratios, since the created indices function as indicators of market responsiveness or sensitivity [7]. With an emphasis on the role of information processing capability in excess returns, Harvey et al. investigate the connection between models for asset pricing and the efficiency of markets. The information ratio is mentioned as a metric for evaluating the market's efficiency in processing information [9]. Vo used panel data estimate to examine the influence of international investors on enhancing share price efficiency in developing stock markets, concluding that foreign investor engagement may augment the pricing efficiency of domestic companies [10].

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Scholars have undertaken more extensive study on geopolitical risk and price efficiency. Nonetheless, a limited number of research have investigated the correlation between the two. Consequently, the examination of the influence of geopolitical risk on the efficacy of the Chinese capital market holds significant relevance for individuals, governing bodies, other nations, and the worldwide capital market.

2. Data

2.1. Data Collection

2.1.1. Data Sources

This research employs two main data sources: geopolitical risk data and price efficiency data from the Chinese stock market. The Geopolitical Risk (GPR) is delineated by Caldara and Iacoviello and is derived from the Economic Policy Uncertainty website (https://www.policyuncertainty.com/) [4]. Furthermore, the information ratio (IR) serves to denote the pricing efficiency of the Chinese stock market, as elaborated in section 3.2.2. The Shanghai Stock Exchange (SSE) return and the return on Chinese one-year government bonds, which comprise the IR, are sourced from the CSMAR database.

2.1.2. Time Period

The study's sample period spans from June 2002 to December 2023. This study selects this time period because a brief sample duration may result in an erroneous analysis of the effects of geopolitical risk on the efficiency of Chinese stock pricing. The sample duration sufficiently encompasses geopolitical events throughout both stable and tumultuous phases, enabling a more thorough investigation of long-term relationships.

2.2. Descriptive Statistics

To provide a summary of the data, this research started by calculating descriptive statistics for both IR and GPR.

3. Methodology and Hypothesis

3.1. Econometric Model

(1) Calculation of the Information Ratio

Based on the formula of the Information Ratio (IR), it can be argued that the information ratio can represent a measure of pricing efficiency in the Chinese equity market. It is first systematically introduced by Grinold (1989). IR is computed as:

$$IR = \frac{r_p - r_m}{\sigma_p} \quad (1)$$

where $r_p - r_m$ is the average excess return, and σ_p is the standard deviation of excess returns [8]. This study uses the excess return of the Chinese stock market, calculated by subtracting the Shanghai Composite Index return from the yield of one-year government debt (risk-free rate), to determine whether GPR directly affects pricing efficiency. The Shanghai Composite Index excess return standard deviation is the tracking error. Due to the magnitude difference between GPR and IR, IR is 100 times magnified. The equation follows.

$$IR = \frac{r_m - r_f}{\sigma_m} \times 100 \quad (2)$$

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The substantial disparity in magnitude between two variables might compromise the accuracy of parameter estimation in the VAR model and result in a significant numerical difference in the covariance matrix, so complicating model interpretation. This research minimizes the disparity in magnitude between it and GPR by visually amplifying the IR variable, which has a lower magnitude, by a factor of 100 during the data processing phase. This equation immediately computes the result indicative of the stock market's pricing efficiency, hence minimizing computing expenses and enhancing measurement efficacy.

(2) The Vector Autoregression Model

A statistical framework for multivariate time series data analysis is the Vector Autoregressive Model (VAR). Lagged data from several variables is used to predict their current values using linear combinations in this model. VAR models, unlike univariate autoregressive models, include variable associations without preconceived causal links. Lagged phrases explain one variable and all others, establishing a dynamic structure. VAR models enable researchers to examine the correlations as well as the implications of variable changes by using impulse response analysis (IRF). The equation is as follows.

$$X_t = \mu + K_1 X_{t-1} + K_2 X_{t-2} + \cdots + K_n X_{t-n} + \varepsilon_t, t = 1, 2, \cdots, T \quad (3)$$

where T is the total sample size, n represents the quantity of lags, and X_t is a vector of endogenous variables with k dimensions. The variance error term is represented by ε_t, where K_i stands for the k×k coefficient matrix.

In the study, GPR and IR will be substituted into the VAR model as research variables to investigate their effects and their time lags on each other as well as on themselves, which will be visualised in the orthogonalised impulse response function images. This research will also conduct a variety of tests post-model building, including the unit root test and the Granger causality test to ascertain the model's stability and reliability.

3.2. Hypothesis Testing

This research evaluates the following hypotheses:

H1: GPR inversely correlates with the pricing efficiency (IR) in Chinese stock market.

H2: The market can assimilate geopolitical uncertainties and sustain pricing efficiency over an extended period.

(1) Granger Causality Analysis

The hypotheses were explored to assess Granger causality between geopolitical risk and the pricing efficiency of the Chinese stock market. Granger causality analyses demonstrate that geopolitical risk significantly influences the price efficiency of the Chinese stock market. Suppose there are two variables called A and B. H0: A does not Granger-cause B. Rejecting H0 indicates that A Granger-causes oscillations in B.

(2) Impulse Response Analysis

Impulse response analysis examines how a one-standard-deviation system variable shock impacts other components. This approach explains how errors impact endogenous variables and quantifies how a one-standard-deviation shock to the random disturbance term affects others. This study recreates the Chinese share market's pricing efficiency response to GPR shocks using VAR (1). Horizontal impulse delays were seen across 15 periods in impulse response function curves.

(3) Variance Decomposition

The relationship between the two variables and the effect of time lag on each other can be studied by using variance decomposition.

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3.3. Reliability and Validity Testing

(1) ADF Test

Given that the VAR model was employed in this investigation, the original data required administration of the ADF test to ascertain its stationarity. If the data is stationary, the original dataset can be utilized directly in the model; however, if the initial data is non-stationary, it must be differenced, along with conducting a cointegration test.

(2) Characteristic Root Test

In order to determine whether the model is stable, the root stability test is used. To meet the stability condition, the characteristic roots' reciprocals' moduli must be less than 1 and lie within the unit circle. The VAR model is considered unstable and does not warrant more research if any characteristic root reciprocal is beyond the unit circle.

(3) LM Statistic

Lagrange Multiplier (LM) testing finds VAR residual serial correlation. The residuals should not be autocorrelated with historical values. The hypothesis about the absence of serial correlation in the residuals was evaluated using the LM test. It is accepted when the LM test p-value above the significance threshold, indicating the absence of residual autocorrelation. A p-value below the significance level indicates serial correlation, needing VAR model changes

4. Results

4.1. Descriptive Statistics

Table 1 outlines the common statistical characteristics of the GPR and IR in the Chinese equity market.

Table 1: Summary

	Num	Mean	SD	Min	Max
GPR	259	5.51	107.79	-288.51	341.82
IR	259	103.72	36.22	58.42	358.71

There is a lot of variation around the mean of 5.51 in the 259 observations that make up the GPR, as seen by the standard deviation of 107.79. Reflecting its enormous range, the index may take on values as low as -288.51 and as high as 341.82. With 259 data, the IR also exhibits modest volatility; the mean is 103.72 and the standard deviation is 36.22. The IR spans a wide range of values, from 58.42 at the low end to 358.71 at the high end.

4.2. Augmented Dickey-Fuller Test

Table 2 displays the results of the ADF test, which was used to determine if each variable in this research was stationary. Unit root testing shows that p-values for both GPR and IR are less than 0.05, allowing for a rejection of the null hypothesis at the 5% level of significance. Because of this, we may say that the initial series is stationary and free of unit roots.

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Table 2: The Results of the ADF Test

	P-Value	T-Statistic	1% Critical Value	5% Critical Value	Conclusion
IR	0.000	-15.039	-3.459	-2.880	Stationary
GPR	0.000	-5.996	-3.459	-2.880	Stationary

Given that the initial series are all stationary, doing a cointegration test is unnecessary.

4.3. Selection of the Optimal Lag Length

Determining the ideal lag length for the model is essential. An insufficient lag time may produce autocorrelated residuals, resulting in conflicting parameter estimations. In contrast, an extended lag period amplifies the quantity of parameters requiring estimation. Choosing an adequate lag duration is crucial for the model to effectively and thoroughly represent the connections among variables. Consequently, it is essential to ascertain the ideal lag length using criteria derived from lag length information.

Table 3: Criteria for the Optimal Lag Length

Lag	LL	LR	FPE	AIC	HQIC	SBIC
0	-2829.53	NA	1.50E+07	22.2081	22.2192	22.2358
1	-2720.29	218.48*	6.60E+06*	21.3827*	21.4162*	21.466*
2	-2720.04	0.50307	6.80E+06	21.4121	21.4679	21.5509
3	-2719.39	1.302	7.00E+06	21.4383	21.5165	21.6328
4	-2716.05	6.6766	7.00E+06	21.4435	21.5441	21.6935

Table 3 indicates that the ideal lag length for the VAR model is established as 1 according to the lag length selection criterion. Given the absence of cointegration connections, the ideal lag duration needs no modification. This lag duration is suitable for the model. A lag duration of 0 indicates that the model does not use previous data to forecast current values, hence neglecting to account for dynamic characteristics in the time series. A lag duration that is too lengthy may result in overfitting, heightened computing complexity, and diminished forecast accuracy. This research employs a VAR model with a lag duration of 1, referred to as VAR (1).

4.4. Test for Stability

All points are inside the unit circle, suggesting that this VAR (1) model is stable, according to the results presented in Figure 1 and Table 4.

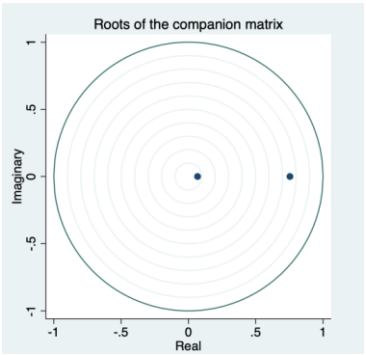

Figure 1: The Result of the Root Stability Test

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Table 4: The Result of the Root Stability Test

Eigenvalue	Modulus
0.7542116	0.7542119
0.0678131	0.0678135

4.5. Estimation of the VAR model

After considering all of the factors, VAR(1) was found to be the best model. Then, GPR and IR are investigated using linear equations. The following is the formula.

$$IR_t = 0.0663IR_{t-1} - 0.1415GRP_{t-1} + 18.9936 \quad (4)$$

Using the present IR as the explanatory variable, the analysis reveals that a one percentage point increase in IR with no change in GPR will lead to an estimated 0.3 percentage point increase in IR the following month as a result of delayed effects. This means that if price efficiency is improved this month, it will be improved next month as well. When IR stays the same but GPR goes up by 1%, we may anticipate a 0.14% drop in IR the next month. If global risk rises this month, price efficiency will fall next month, according to this prediction.

$$GPR_t = 0.0077IR_{t-1} + 0.7557GRP_{t-1} + 25.2261 \quad (5)$$

Using the present GPR as the explanatory variable, the study shows that a one percentage point increase in GPR without a change in IR means that GPR will climb by around 0.76 percentage points the following month owing to delayed effects. This indicates that if global risk increases this month, it will continue to climb next month. If IR goes up by 1% but GPR stays the same, then next month GPR should go up by around 0.01%. This suggests that next month's geopolitical risk will be higher than this month's, due to an increase in price efficiency.

4.6. Lagrange Multiplier Test

Table 5 details the LM results from the test.

Table 5: The Results of the LM Test

Lag	X^2	Df	P-Value
1	1.39	4	0.85
2	1.05	4	0.90

All of the p-values are more than 0.05, which suggests that the hypothesis of the LM test cannot be rejected and that theresidual autocorrelation does not exist. In addition, The LM test reveals a degree of freedom of 4, suggesting that the model has a certain complexity without being too intricate to induce overfitting.

4.7. Granger Causality Test

The results of the Granger Causality test are shown in Table 6.

Table 6: The Results of the Granger Causality Test

	Null Hypothesis	X^2	P-Value	Conclusion
IR	GPR does not Granger-cause IR	0.59	0.44	Accepted
GPR	IR does not Granger-cause GPR	0.32	0.57	Accepted

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The following findings are derived from the test results:

The hypothesis that 'GPR does not Granger-cause IR' remains unrefuted at the 5% significance level when pricing efficiency (IR) is the dependent variable in the Chinese equity market.

Geopolitical risk (GPR) is an explanatory variable, however there isn't enough evidence to reject the hypothesis that "IR does not the Granger-cause GPR" at the 5% significance level. According to Granger causality, this demonstrates that geopolitical risk has no major impact on price efficiency in the Chinese equity market.

As a result, this contradicts the initial hypothesis of this study. A longer sample period may have reduced the link between these two variables, which might explain why there is no cointegration connection. In contrast to the developed financial markets of other countries, China's is still in its infancy, and the Geopolitical Risk Index is an international concept. There is less room for maneuver in China's capital market as a result of strict currency controls, restrictions on foreign investment, and capital flows. So, domestic policies rather than international political events affect the Chinese equity market more. This study will construct a new VAR model with a condensed sample period that is hyper-focused on the epidemic in order to investigate these components' interactions in more detail.

4.8. Impulse Response Analysis

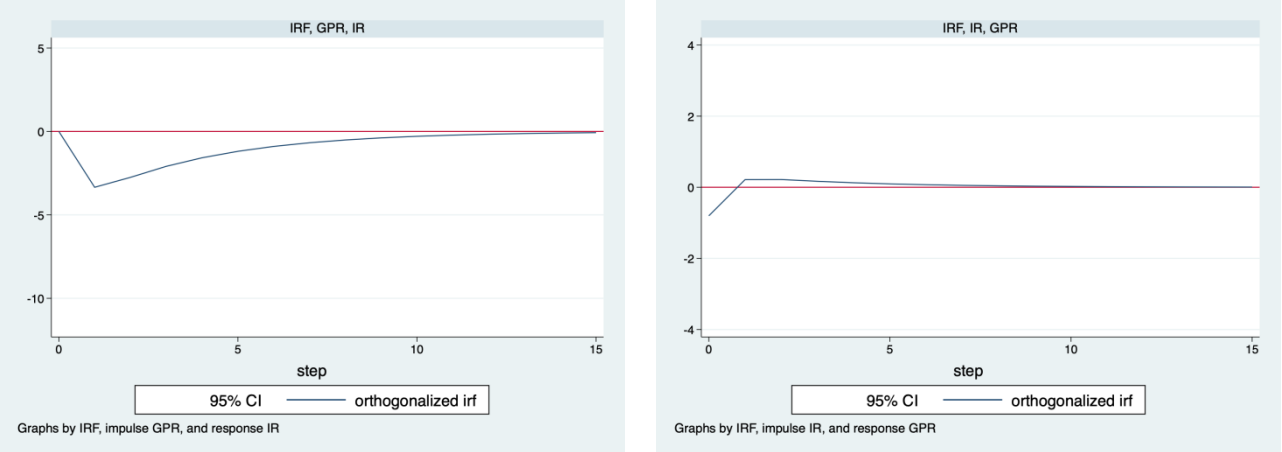

Figure 2: the Results of the IRF

(1) Impulse Response Analysis of IR in Chinese Equity Market

According to the data shown on the left, a one-unit positive shock to GPR in the present period causes an instant negative fluctuation in IR, which reaches a low point in the first period before slowly regaining zero by the fifteenth period. The effects of GPR on IR are detrimental, both immediately and over the long run. The original premise of this research is supported by this. The pricing efficiency (IR) of Chinese equity market is impacted by rising geopolitical risk via processes including information asymmetry. The effect is at its strongest during the first month and thereafter fades or vanishes altogether.

(2) Impulse Response Analysis of GPR

The right graph shows that a one-unit positive shock to IR in the current period makes GPR negative, reaching its lowest value during the observation period (see Figure 2). Subsequently, it progressively recuperates, surpassing zero in the first phase and ultimately converging at a moderate pace.

This influence, however relatively little, may be elucidated by the intricate relationship between capital and politics. Short-term speculative capital, sometimes referred to as "hot money," exhibits heightened sensitivity to fluctuations in information relative to the broader investment community. In

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the Chinese stock market, individual investors often exhibit a delayed response to changes in information, whereas investors who invest short-term, with more skill and liquidity, show heightened sensitivity to events such as geopolitical developments. An infusion of capital into the Chinese equity market is seen as a favorable economic signal, while capital outflows suggest the decline of the economic system. Significant declines in IR, reflecting diminished pricing efficiency and an ailing economy, often result in the withdrawal of speculative capital from the market, hence heightening geopolitical risk.

4.9. Variance Decomposition

This research extracts data from January 2020 to December 2022 to enable a comparative analysis of the variance decomposition of the influence of GPR on IR shocks between the overall sample period and the epidemic period. As the data from the new sample is not stationary, it is subjected to first-order differencing to get DGPR and DIR.

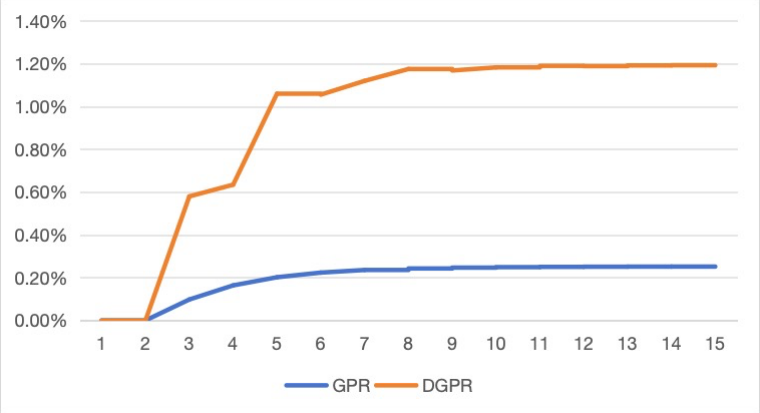

Figure 3: Variance Decomposition (Total sample period vs the Epidemic)

Figure 3 shows DGPR's contribution to DIR during the pandemic (orange line) and GPR's contribution to IR across the sample period (blue line). In Period 8, the orange line plateaus at 1.2 percent after a sharp climb in Period 2. This quick rise indicates that geopolitical risk during the epidemic strongly influences short-term pricing efficiency changes and the variance's explanatory power. After eight periods, geopolitical risk's impact on epidemic market pricing efficiency peaks before plateauing and ceases to rise. The initial price efficiency rose gradually, plateauing at 0.2 percent, as shown by the blue line. The lower explanatory power of early pricing efficiency suggests that geopolitical risk has less long-term impact on the market since its impacts are gradual. GPR's explanatory power during the outbreak was large and rapidly stabilized, demonstrating that geopolitical worries affected Chinese equity market pricing efficiency more in the short run. Over time, GPR shrinks and has less impact on pricing efficiency.

5. Discussion

5.1. Consequences to Hypotheses

This research provides novel insights into the impact of geopolitical threats on equity pricing in Chinese markets. High geopolitical risk might diminish market efficiency over an extended duration. This corroborates the initial hypothesis of the investigation. However, the situation becomes complex when examining the near term, particularly during a significant occurrence like as the epidemic. The impact of risk on stock valuation is not consistently adverse. It evolves over time, and eventually, it

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may become positive. The market seems to adapt to these risks over time. The second hypothesis is also valid in this context. It is evident that stock values may fluctuate significantly in the short term.

5.2. Consequences to EMH

The research indicates that the Chinese market does not completely conform to the EMH. The EMH posits that markets rapidly and accurately incorporate new information. However, the analysis indicates that fluctuations in geopolitical risk might influence stock valuations for a more extended period than anticipated. This may suggest that the Chinese market lacks full efficiency. Government regulations, restrictions on capital movement, and other controls may impede the reaction to emerging dangers and inhibit stock prices from accurately representing reality. During epidemics, this might result in a prolonged decline in pricing efficiency.

5.3. Advice

This research has addressed geopolitical threats and their influence on stock prices, although it did not thoroughly examine the numerical data. Let us investigate it more thoroughly. International relations may significantly influence economies and markets. Significant occurrences, such as the trade disputes between the US and China since 2018, may disrupt global commerce and affect stock valuations. Additional instances include the United Kingdom's departure from the European Union and the sanctions imposed on nations such as Iran and Cuba. These issues might adversely affect their economies and undermine market efficiency. Significant initiatives, such as the Chinese Belt and Road Initiative, might impact market efficiency owing to their political characteristics. Wars may have serious consequences, like in Ukraine and Syria. These conditions may threaten the Chinese capital market. Global climate change measures may help. So here's some advice:

5.3.1. Enhance the integrity of information inside the equity market

When corporations supply more transparent and comprehensive information, traders can better evaluate equities. This would reduce the gap between market-perceived and real firm value, improving the efficiency of pricing. Uniform access to information facilitates the determination of accurate pricing and mitigates market volatility. Transparent information mitigates overreactions, fostering a more stable market. Furthermore, when people possess a comprehensive grasp of geopolitical hazards, they can mitigate risks more efficiently, facilitating market recovery from disruptions.

5.3.2. Enhance market supervision and make institutional investors more flexible in the face of economic policy changes

Institutional investors, in contrast to individual investors, often possess superior abilities in predicting and investment. They are also obligated to safeguard information and maintain the seamless operation of marketplaces. Although they do not often conform to the majority as individual investors may, there is a need for more market oversight and improved investor education. This entails enhancing the capacity of institutional investors to manage alterations in economic policy, both domestically and internationally. Enhancing information clarity and quality, minimizing information disparities, and facilitating unobstructed information flow may lead to more precise pricing and promote efficient market operations.

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5.3.3. Utilize governmental authority efficiently to enhance and stabilize the economy

The government is essential in maintaining and formulating stable economic policies. To effectively disseminate critical information in the stock market, the government must maintain stability in both the political and economic environments. This entails continuously monitoring geopolitical changes and implementing measures that maintain economic stability, therefore mitigating the adverse impacts of global health crises or international political challenges. It is essential to have robust emergency finance measures to mitigate the impact of significant unforeseen disasters on overall economic stability.

6. Conclusion

This research examines the influence of geopolitical risk on the pricing of Chinese equities. The research used a specialized model and discovered that geopolitical risk complicates the accurate pricing of Chinese equities over time. As global threats escalate, the capacity to evaluate stock prices in China diminishes. However, it is seen that this impact diminishes with time as the market acclimates to the knowledge, resulting in price stabilization. However, during COVID-19, geopolitical risk significantly influenced stock prices in China. The research indicates that the Chinese equity market is now deemed inefficient; nevertheless, we anticipate improvements in its information processing capabilities in the near future.

Further study on the correlation between the pricing efficiency of the Chinese equity market and geopolitical risk is warranted. Formulating Alternative Methods for Measuring Pricing Efficiency. Future investigations will further elucidate the relationship between geopolitical risk and stock price in China. A potential avenue for future research is the exploration of novel methodologies for assessing price efficiency that may provide more accuracy. This research used a methodology that facilitated computations; nevertheless, superior alternatives may exist. Moreover, contemplating the enhancement of indices for assessing geopolitical risk might augment the reliability of our results.

Developing Various Research Models. Using many models for study is another suggestion. Although other models may provide a more thorough explanation of the processes and causes behind this occurrence, this study's model successfully shows how geopolitical risk affects stock prices.

Embracing a Variety of Research Perspectives. Looking at issue from different angles could help in the end. This study did not divide the Chinese equity market index into smaller subindices; instead, it utilized a single index. The scope of future study may be expanded by looking at other parts of the market or by comparing results from different countries. More thorough and worthwhile findings might emerge from this.

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