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

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Abstract

Chinese private portfolio equity outflows have grown significantly over time due to capital account liberalization. Using matched stock–fund holding data under the Qualified Domestic Institutional Investor (QDII) program, we identify a nascent financial channel of international transmission of Chinese monetary policy to world stock markets. Event studies around Chinese monetary policy announcement days uncover a cross-sectional differential response: returns on MSCI country indexes and U.S. stocks with QDII exposure are more responsive than those of non-exposed ones, controlling for other transmission channels of Chinese monetary policy and for other factors. The effect is driven by smaller, less liquid, and lower-turnover stocks, but not by China-concept stocks or those exposed to mainland macroeconomic shocks. We also provide evidence consistent with a retail-driven portfolio-rebalancing mechanism: periods of contractionary policy announcements are associated with outflows from QDII funds with high equity portfolio shares that fund managers do not fully offset. Retail flows are also more closely associated with monetary policy changes than institutional investor flows.

Keywords: Chinese Monetary Policy, Portfolio Equity Flows, Portfolio Rebalancing, QDII Funds, Retail Investing.
JEL Classification: F30, G10

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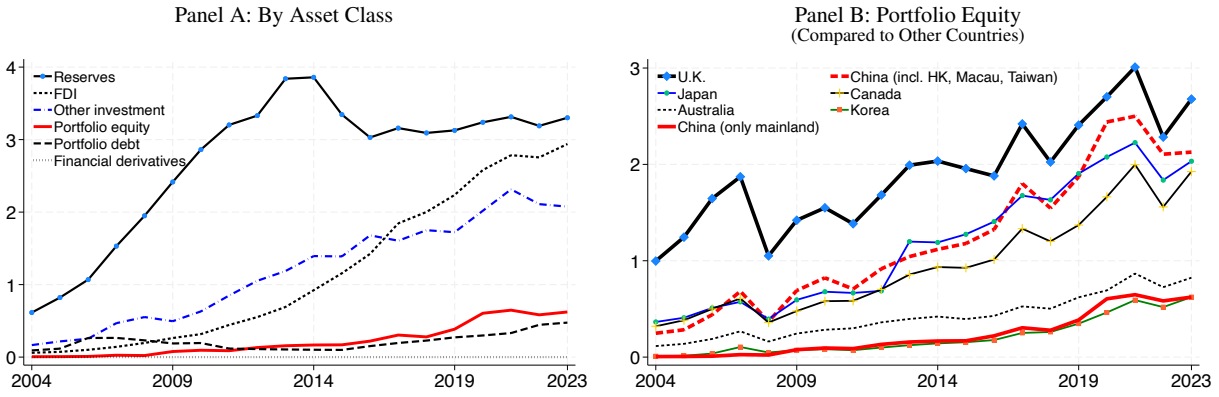
1 Introduction

China is a large economy that can significantly affect the rest of the world through reserve accumulation, international trade, foreign direct investment, global commodity markets, and official capital flows. In this paper, we study China's potential influence on global equity markets through private portfolio equity flows. We uncover a nascent channel for the international transmission of Chinese monetary policy shocks: both MSCI country indexes and individual U.S. stocks with exposure to Chinese QDII fund holdings exhibit significantly larger abnormal return responses to these shocks than not (or lesser exposed assets). We also provide evidence that these differential impacts are consistent with a portfolio-rebalancing mechanism. Quarters of monetary policy tightening are associated with outflows from active QDII funds with high equity portfolio shares, seemingly driven by retail investors, that fund managers cannot fully offset.

Although still tightly regulated, China's private foreign portfolio equity holdings have surpassed U.S.$600 billion in 2023, and were about a fourth of 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 and investors sought diversification opportunities abroad. In 2023, this position 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 outflows 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 50 economies, but are more concentrated in certain sectors than others.

Identifying and quantifying a financial channel of international monetary transmission from China is important, as it is bound to gain importance over time. As we discuss in the paper, since the mid-2000s, China has tended to lower restrictions on portfolio equity outflows whenever faced with upward pressure on its exchange rate. China also has a long-term goal of internationalizing the Renminbi and boosting its status as a reserve currency, which ultimately requires embracing full convertibility and an open capital account. Additionally, China has excess savings over its

Figure 1 CHINESE FOREIGN ASSETS
(IN TRILLION US DOLLARS)



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

current investment needs. Under these conditions, it is plausible to expect substantial and increasing equity outflows in the medium term. Given China's economic size, its equity outflows could have a profound impact on global stock markets if the known economic effects of China's official financial flows, private foreign direct investments (Horn et al. 2021), or its international trade flows (Miranda-Agrippino et al. 2020) are taken as benchmarks.

To explore a possible financial channel of monetary policy transmission, we use both aggregate macroeconomic data and matched fund-foreign stock-level data. We first identify Chinese monetary policy shocks and construct a measure of foreign stock exposure to Chinese private investors' equity portfolio flows prior to the realization of these shocks. We then conduct event studies around monetary policy announcement days, controlling for global shocks and the real channel of monetary policy transmission. To provide direct and robust evidence of this transmission, we also examine episodes of increases in domestic institutional investors foreign investment quotas and the annual Spring Festival, among many other robustness checks and analyses.

Identifying Chinese monetary policy shocks is challenging because the People's Bank of China (PBoC) pursues multiple goals and uses a variety of instruments in its monetary policy strategy and implementation (Miranda-Agrippino et al. 2025). Our strategy involves four steps. First, we focus on a small subset of PBoC policy instruments; arguably the four main ones: 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 identify all announcement days for this set of instruments by manual inspection of the PBoC's website, which is feasible given the relatively short sample period and small instrument set. Third, to determine the sign and gauge the magnitude of the impact of each announcement, we use the daily change in the 1-year interest rate swap (IRS) rate on the announcement date, which reflects revisions in market expectations about the interbank 7-day repo rate. We contend that while this approach may not deliver a series of all Chinese monetary policy shocks, it provides a reliable source of exogenous monetary policy variation to quantify the international financial repercussions of Chinese monetary policy. Finally, to corroborate this claim, we compare our shocks to those estimated by Shieh (2024) and also explore the robustness of our estimation results to using the well-known shock series in Chen et al. (2018).

The second pillar of our identification strategy builds on matched fund-foreign stock-level data based on the holding semi-annual disclosures of the mutual funds in the Qualified Domestic Institutional Investor (QDII) program. This portfolio outflow liberalization program, which we describe in detail in Section 2, was launched in 2006–07 to allow domestic investors to diversify abroad and to mitigate RMB appreciation pressures. While the program has grown in size only over time, starting from a very small base, early QDII fund holdings were very concentrated in a handful of foreign stocks, thereby providing meaningful exposure throughout the sample period. We measure exposure of country stock indices and individual U.S. equities based on the last semi-annual holding disclosure before the announcement, and then compare cumulative abnormal return responses between exposed and not-exposed (or more and less exposed) assets on the identified monetary policy announcement days.

We find that the returns of MSCI country indexes that are more exposed to QDII funds respond more than those less exposed on announcement days, in both dollar and local currency terms, with exchange rate responses consistent with the direction of the implied flows. 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 as in Miranda-Agrippino

et al. (2020). We then estimate the impact of our estimated monetary policy shocks on individual U.S. stock abnormal returns, and we find a similar differential impact. The returns of individual stocks exposed to QDII fund holdings tend to decline more than not-exposed stocks. Splitting the firm sample by characteristics, we show that, in the baseline, the results are driven by smaller, less liquid stocks and stocks with lower turnover.

We pay particular attention to the possibility that the main results are driven by the firm's various linkages with mainland China, and find this is not the case. In particular, we show that U.S.-domiciled stocks, stocks with low covariance with the Chinese market, and firms with a lower share of sales from abroad are also significantly affected when held by QDII funds. We also conduct an extensive set of robustness analyses to address several identification concerns related to Chinese monetary policy shocks, sample selection, and the non-randomness of QDII fund treatment assignment prior to the announcement days. We consider alternative definition of the exposure measure and alternative definitions of abnormal returns. Our findings are quite robust. To provide direct and robust evidence of the transmission channel that we contend to uncover, we also estimate stock return responses around QDII quota increases and the Chinese New Year, when domestic liquidity demand increases annually. Finally, give that quotas may not be always binding, we also investigate whether the transmission may be asymmetric.

To shed light on the mechanism behind the return patterns, we examine whether Chinese monetary policy announcements are associated with portfolio rebalancing by QDII investors and fund managers. The idea is that, following monetary policy shocks, investors may adjust their desired exposure to riskier foreign equities versus safer assets as perceived risk-free rates, risk, risk tolerance, or liquidity needs change. In China's institutional setting, such rebalancing can translate into investor inflows into and outflows from QDII funds with high equity portfolio shares or investor and active managers rebalancing within QDII funds.

We investigate this hypotheses by constructing QDII fund flows from quarterly total net assets and returns, following Chevalier and Ellison (1997) and Sirri and Tufano (1998). We then regress these flows on our Chinese monetary policy shocks aggregated at quarterly frequency and compare

responses across different QDII fund mandates. Given the quarterly aggregation and the absence of a cross-sectional exposure measure in this step, we interpret the evidence conservatively as documenting systematic associations between monetary policy shocks and QDII fund rebalancing.

The estimation results are consistent with portfolio rebalancing: in quarters with contractionary Chinese monetary policy shocks, active QDII funds with high equity portfolio shares experience outflows. In contrast, the few QDII bond funds in our sample tend to see inflows, although this effect is estimated imprecisely. We also find that fund-manager rebalancing does not appear to offset these investor-driven flows. Looking at changes in QDII portfolio shares by asset class, we find that the active funds experiencing the most outflows significantly reduce equity holdings during monetary policy tightening periods, but also reduce position in all other asset classes including particularity cash.

Finally, when we investigate which investors drive the estimated flow responses, we find that retail investors, which hold the lion share of QDII funds assets under management, appear more responsive to Chinese monetary policy shocks than institutional flows. In contrast to international financial spillovers from U.S. monetary policy, therefore, these latter results suggest a primarily retail-driven transmission channel.

Related Literature

Our paper contributes to several strands of the literature. First, it relates to work on China's impact on the global economy through different components of its balance of payments. For example, Horn et al. (2020, 2021) and Jiang (2024) study Chinese overseas lending by the public sector; Morck et al. (2008) examines China's outward foreign direct investment (FDI); and Cerutti et al. (2020) analyzes the lending behavior of Chinese private banks. Ahmed and Rebucci (2022) assesses the price impact of foreign official investors, including China, on U.S. Treasury yields. We investigate the impact of Chinese private portfolio equity flows on global stock market index and individual U.S. stock returns.

Second, our paper relates to the literature on the global impact of Chinese monetary policy.

Compared with the extensive evidence on the international effects of Federal Reserve and ECB monetary policies, research on Chinese monetary policy spillovers is in its infancy. A key challenge is identification, as the PBoC pursues multiple objectives and employs a wide and evolving set of policy instruments. An early contribution is Chen et al. (2018), which identifies Chinese monetary policy shocks using innovations to M2 growth, allowing for asymmetric responses to deviations of economic growth from targets. However, M2 growth captures only one dimension of Chinese monetary policy. In practice, the PBoC's policy objectives also include exchange rate stabilization within a two-pillar framework (Jermann et al. 2022) and the promotion of renminbi internationalization through instruments such as swap lines (Bahaj and Reis 2020). In this context, our paper suggests that capital outflow liberalization represents an additional dimension of Chinese monetary policy.

Recognizing these complexities, Miranda-Agrippino et al. (2025) extends the policy-rule approach in Chen et al. (2018) by incorporating a much broader set of policy instruments. As a result, the estimated shocks are a comprehensive representation of the PBoC's stabilization policy actions, including quasi-fiscal interventions. In response, another branch of this literature has adopted an event-study approach based on Chinese monetary policy announcements (e.g., Kamber and Mohanty 2018; Das and Song 2023; Shieh 2024). Our paper follows a similar identification strategy but complements that with a novel cross-sectional exposure measure to estimate the differential impact of Chinese monetary policy shocks on exposed world stock market index and individual U.S. stock returns.

In this respect, our work is most closely related to Miranda-Agrippino et al. (2020) and Miranda-Agrippino et al. (2025), who study international macroeconomic spillovers of Chinese monetary policy, whereas we provide evidence on financial spillovers. While we do not provide any quantification of the aggregate implications of the cross-sectional impacts that we estimate, the paper uncovers the first systematic evidence that Chinese monetary policy shocks affect global equity prices through private international portfolio equity flows. Moreover, we show that this nascent financial transmission channel is consistent with mutual fund portfolio rebalancing and present

evidence suggesting that retail investors are the primary drivers of such rebalancing. Similar to our paper, Shieh and Sanyal (2024) examine the transmission of Chinese monetary policy using industry portfolios, but focuses on spillovers through trade networks. We provide complementary cross-sectional evidence from a financial perspective and explicitly control for trade linkages.

Our paper is also closely related to two other recent studies on China-specific shocks. Copestake et al. (2023) examines the global transmission of demand and supply shocks to Chinese economic activity using a structural vector autoregression (SVAR) model based on country- and firm-level data. Gutierrez et al. (2024) takes an event-study approach to the analysis of the global financial market implications of Chinese macroeconomic shocks. We study the financial transmission of Chinese shocks using an event-study framework, but focus on Chinese monetary policy announcements.

Finally, our paper contributes to the literature on international financial integration and capital account liberalization as, for example, in Bekaert et al. (2005), Kose et al. (2009), among many others. We study the implications of equity outflow 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) analyze bond market liberalization in China, while Ma et al. (2020) and Liu et al. (2024) investigate equity flow liberalization under the Qualified Foreign Institutional Investor program and the Shanghai/Shenzhen-Hong Kong Stock Connect program. This paper focuses on equity outflow liberalization, linking Chinese private demand for foreign equities to quotas granted to intermediaries under the QDII program to estimate the impact of these liberalized outflows on world stock markets. Finally, this paper complements the analysis in Agarwal et al. (2019), which studies the foreign portfolio decisions, motives, and allocations of Chinese institutional investors under the QDII program, without exploring implications for foreign stock markets.

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 an Online Appendix.

2 Institutional Backdrop

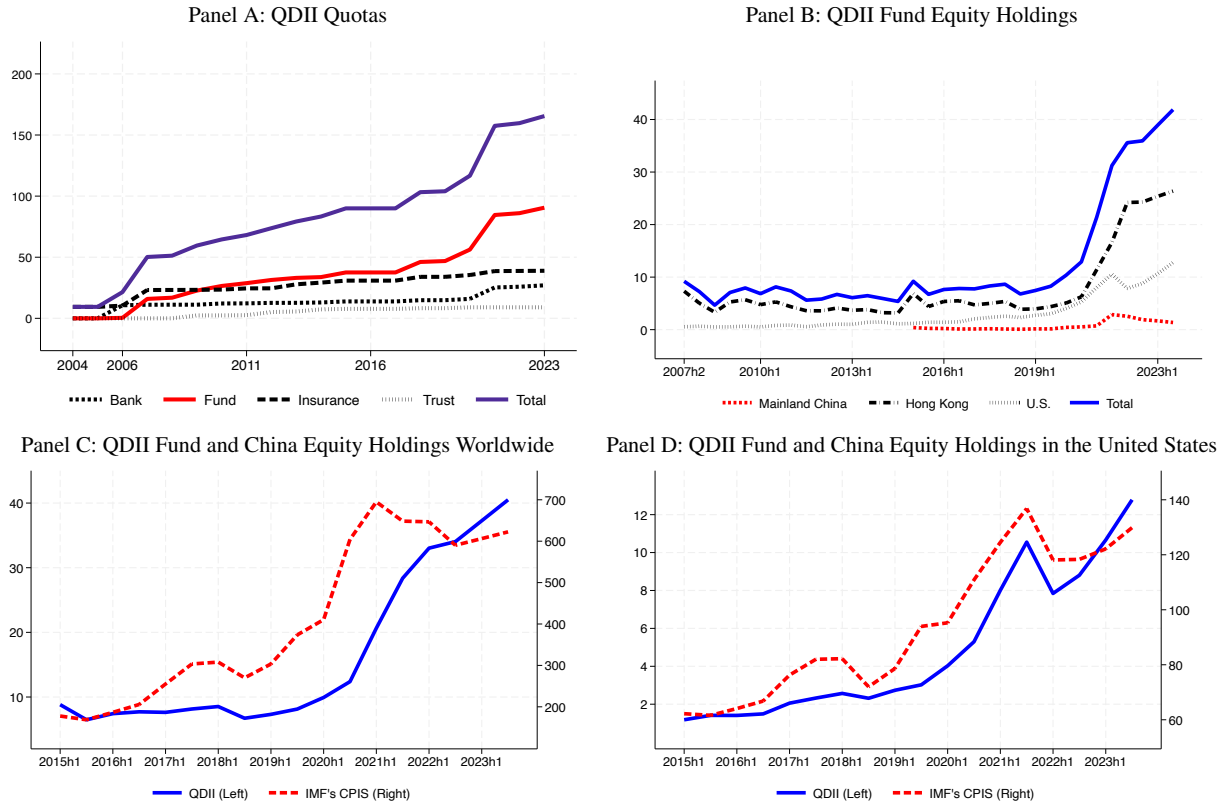
China maintains capital controls on cross-border portfolio flows but has long launched programs to partially liberalize its capital account. Inflow liberalization was introduced before outflow liberalization. To insulate the mainland's RMB-denominated A-share market from foreign inflows, before 2002, 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 relaxed, culminating with the removal of all QFII limits in September 2019.

2.1 The QDII Program

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. The program sets both an overall quota for total outflows and sub-quotas by intermediary—banks, insurance companies, trusts (investment companies or shadow banks), and mutual funds (hereafter "funds," including active and passive mandates). The total quota of the program is determined by the State Council, but is not publicly known or officially announced. Within this envelope, the State Administration of Foreign Exchange (SAFE) is responsible for the administration of the program and the allocation of quotas to individual institutional investors that submit applications.[1] Applications can be submitted at any time and should be processed within 20 business days. Applications can be

[1] See: http://m.safe.gov.cn/safe/file/file/20170726/8b7131f7c4254724856c41c7f80cacd5.pdf

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

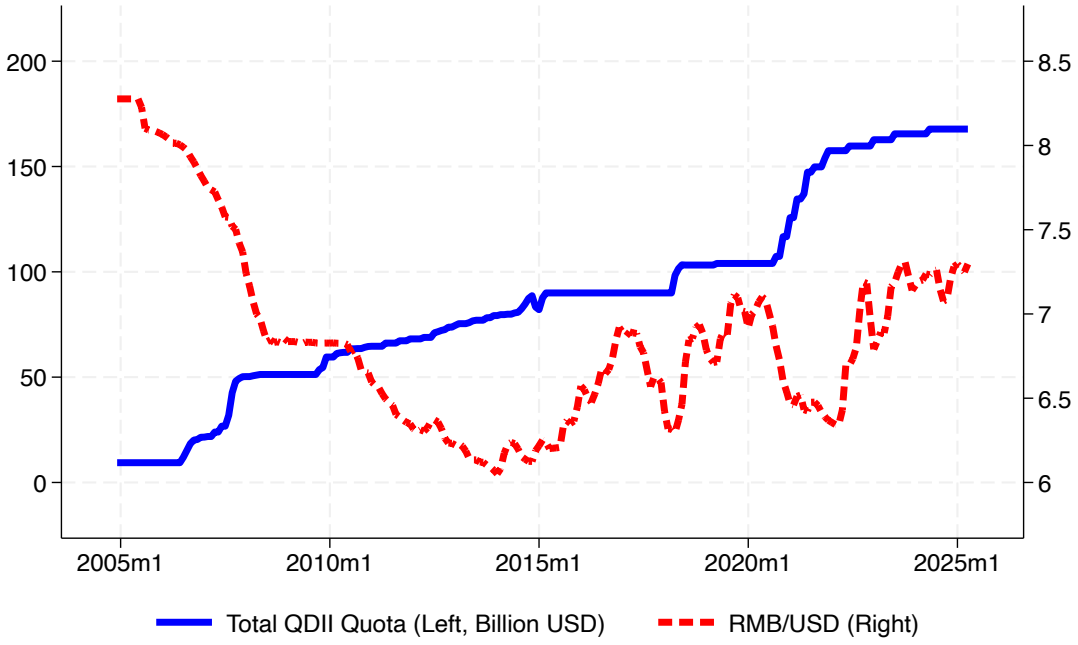


NOTE. Panel A plots aggregate QDII quotas approved by type of institutional investor, including banks, mutual funds, insurance companies, and trusts. Panel B shows total QDII fund equity holdings (excluding cash, ETFs, bond holdings, commodities, or other alternative assets) in world stock markets (blue solid line, denoted "Total"), mainland China, Hong Kong, and the United States, based on stock listing locations. Panels C and D compare QDII funds with China's total portfolio equity holdings (from the IMF CPIS), in the world and U.S. markets, respectively. Sources: SAFE, Wind Terminal, and IMF CPIS.

denied, but approvals are rarely revoked, although SAFE may reduce or cancel an approved quota if not used within two years. Approved quotas are not allowed to be transferred or tradable. SAFE publishes review outcomes monthly on the PBoC website.

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 (Online 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 appre-

Figure 3 EXCHANGE RATE AND TOTAL QDII QUOTAS



NOTE. This figure plots the total dollar quotas approved for domestic institutional investors (in billions of USD) on the left, alongside the RMB/USD bilateral exchange rate on the right. Data sources: Wind Terminal and FRED.

ciation pressure on the exchange rate, regulators significantly expanded the program's scope and relaxed restrictions in mid-2007 (Figure 3).[2]

In September 2006, the total QDII 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.[3] Over time, both the total quota and the funds' share of the total increased substantially. By 2023, funds accounted for US$90.6 billion of the total US$165.6 billion approved quotas, making them the largest institutional segment within the program (Panel A, Figure 2).

While information about individual funds' quota utilization is not publicly available, news reports suggest that the quota utilization rate was higher post-COVID, driven by Chinese households' diversification demand in response to poor domestic stock market performance. Consistent with

[2] Robinson and Newman (2008) and http://www.csrc.gov.cn/csrc/c101932/c1044480/content.shtml.
[3] Insurance companies had some access to foreign equity markets even before 2006 (Figure 3).

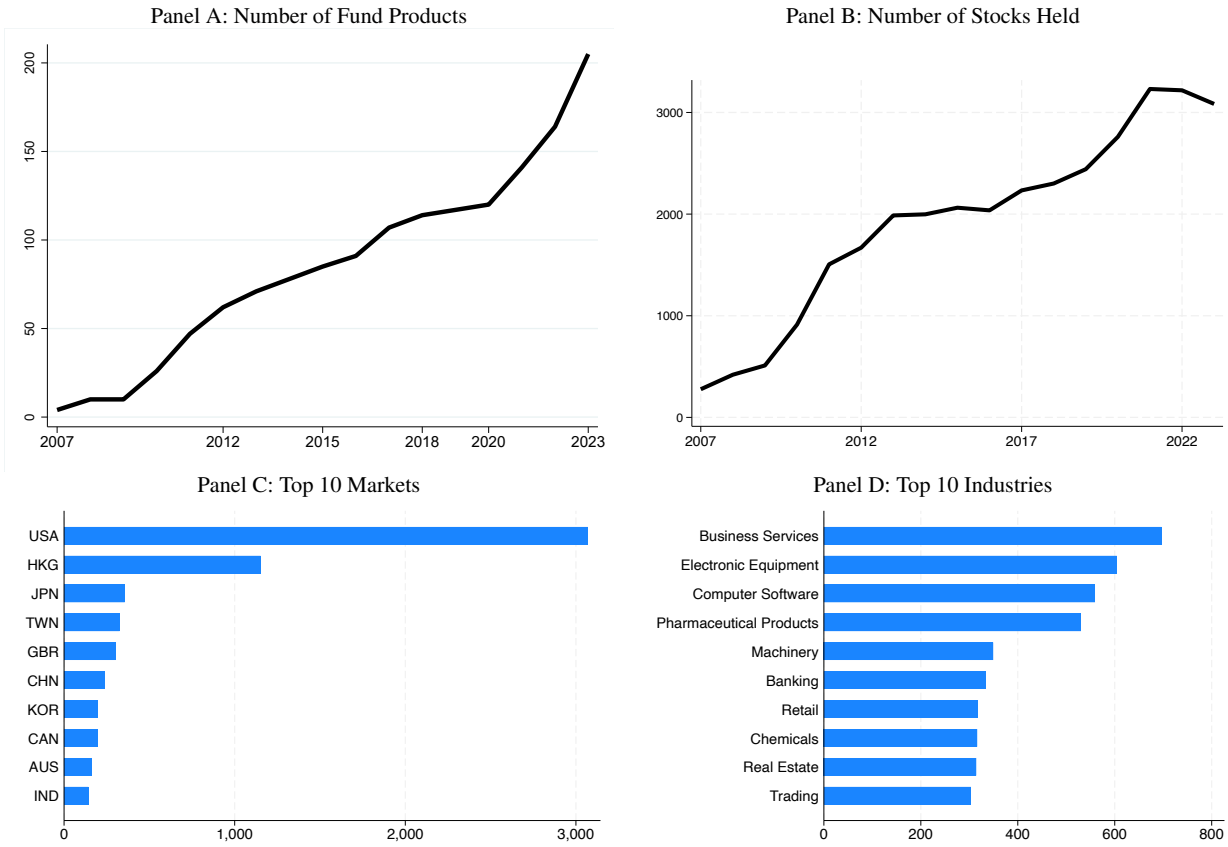
this, Panel B of Figure 2 shows that QDII fund equity holdings sharply increase post-COVID. However, individual quotas may have been binding for some of the funds even before 2019. In such cases, the funds must stop accepting new investments. And when existing investors want to redeem, these funds could sell shares to other investors waiting to get into these products, without actually needing to sell foreign equities. Binding quotas at the individual fund level, therefore, could dampen the impact of shocks on foreign equities through Chinese portfolio equity flows.

2.2 QDII Fund Products

The number of QDII fund products expanded from fewer than 10 in 2007 to 205 in 2023 (Panel A, Figure 4). Excluding nine "alternative" funds that primarily invest in commodities, gold, and/or 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. 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. Therefore, even in the presence of binding quotas at the individual fund level, equity funds can take advantage of opportunities in foreign equity markets by varying their cash portfolio share.

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 4). By dollar value, Hong Kong

Figure 4 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 Terminal and Worldscope.

is the most important destination, followed by the United States (Panel B, Figure 2). By number of firms held, instead, the U.S. ranks first (Panel C, Figure 4). Worldwide, QDII fund equity 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 4).

2.3 QDII Fund and Total Chinese Portfolio Equity Holdings

QDII funds' equity holdings in global markets (excluding holdings of Chinese A-shares) only totaled US$40.5 billion in 2023, compared to the US$622 billion of total Chinese portfolio equity holdings reported in the IMF CPIS (Figure 2). A key assumption in our empirical analysis is that QDII fund holdings, allocations, and rebalancing behavior are representative of the total. It

is therefore important to assess the extent to which they are representative. We proceed in three steps: we first document that QDII holdings co-move closely with CPIS-reported holdings, supporting their use as a proxy for total private Chinese foreign equity holdings; we then decompose CPIS-reported holdings by program illustrating the plausibility of the assumption made; finally, we discuss why official reporting to the IMF CPIS likely understate the true Chinese foreign equity position and how total holdings may have already surpassed US$1 trillion in 2023 once capital flights that evade controls and the government-managed portfolios are included.

QDII fund holdings and total CPIS-reported holdings are highly correlated over time in Panels C and D of Figure 2. The level correlations are 0.81 and 0.94 and the year-on-year growth rate correlations are 0.20 and 0.80 for worldwide and U.S. holdings, respectively. Although IMF CPIS data does not provide details on stock-level or sector allocations, we find that (i) the country allocation in the QDII funds has a correlation of 0.90 with the IMF CPIS allocation, driven by the Hong Kong and U.S. shares, and that (ii) the industry allocation in the China Investment Corporation fund (CIC) correlates closely with the QDII fund allocation by industry. Finally, we find that 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, respectively. Although direct testing is not possible, it is therefore reasonable to assume that all private holdings exhibit similar behavior.

Table A3 in the Online Appendix reports QDII fund equity holdings as a share of market capitalization and shows that they are very small, especially if compared with the average 13% foreign institutional ownership share worldwide, the 11% in Hong Kong, and the 8% in the United States estimated by Bena et al. (2017). However, *total Chinese foreign equity holdings* are a larger share of the global equity market. Conservatively using the IMF CPIS US$622 estimate, they represent roughly 0.3% and 0.6% of the U.S. and world stock market capitalization, respectively. In turn, QDII fund holdings represent more than 6.5% of total Chinese foreign stock holdings worldwide, and 9.8% of Chinese holdings in the United States in 2023.

Consider now the makeup of the total Chinese foreign equity holdings in the IMF CPIS. We

do not have data on the equity holdings of other institutional investors under the QDII program. Still, conservatively assuming that they are the same share of the aggregate approved quotas as the QDII funds, total equity holdings under the QDII program can be estimated approximately US$75 billion in 2023, or more than 10% of the total in the IMF CPIS. Since 2014, a second important channel for Chinese households to access foreign equities is the Shanghai/Shenzhen–Hong Kong Stock Connect, but it is limited to eligible Hong Kong-listed shares. We estimate that this program accounted for US$280 billion of China's IMF CPIS total foreign equity holdings.[4] Third, the IMF CPIS also includes non-financial corporations' holdings, estimated to be about US$69 billion in 2023. Lastly, a fourth channel, which we cannot separately quantify and we treat as the residual, is the RMB-QDII program that allows domestic financial institutions to raise funds in local currency to invest in RMB-denominated products in overseas financial markets without currency conversion.

In China, like for example in Norway or Saudi Arabia, the public sector also play a significant role in foreign equity investing, through its two main sovereign wealth funds, historically funded with accumulated foreign official reserves (Liu, 2023): the CIC and the State Administration of Foreign Exchange Investment Company (SAFEIC), with their affiliated entities. Unfortunately, precisely quantifying their foreign equity exposure is not possible, but CIC disclosures permit providing 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.[5] 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 should have been approximately US$330 billion in 2023, implying about US$109 billion in foreign equity holdings.

SAFE does not disclose its holdings. According to Liu (2023), SAFE held about US$1 trillion in foreign assets in 2019. If SAFE's holdings had been allocated as the CIC's, its foreign equity position could have been approximately US$300 billion at the end of 2023. Note, however, that CIC holdings are reported to the IMF CPIS because they are regarded as corporate-owned, while SAFE

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

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

holdings are treated as government-owned.[6] Therefore, consistent with findings in the sovereign wealth funds literature (e.g., Kotter and Lel 2011, Bortolotti et al. 2015), we are not going to assume that SAFE holdings have the same rebalancing behavior as all other equity holdings reported in the IMF CPIS, including the CIC's.

The IMF CPIS, which is based on official statistics reported by the authorities, may be underestimating total Chinese private foreign equity holdings for at least three reasons. First, some Chinese portfolio flows likely reach foreign equity markets by circumventing formal capital controls, but likely appear in the net errors and omissions of the balance of payments. The cumulative balance-of-payments errors and omissions through 2023 is 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 or US$173 billion.

Second, 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.

Third and finally, anecdotal evidence suggests that Chinese retail investors, by being the main driver of the mainland market, have become the regional "informed" investors and are mimicked by other regional institutional and retail players in Hong Kong, Singapore, and the rest of the region.

In sum, IMF CPIS holdings are a lower bound: including an estimate of unrecorded, capital-flight-related private holdings but excluding SAFE, we estimate *private* Chinese foreign equity holdings at about US$800 billion in 2023, which can be assumed to behave like QDII holdings. Adding a ballpark SAFE equity position makes it plausible that *overall* Chinese foreign equity holdings exceeded US$1 trillion. Both figures remain conservative because CPIS under-coverage

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

of holdings routed through financial centers and other opaque structures that cannot be quantified, and because we cannot quantify the extent to which Chinese investors play an "informed leader" role in the region.

3 Hypotheses, Identification Strategy, and Data

As a large country opens its capital account to outflows, we expect the international financial impact of domestic shocks to increase. To identify the price impact of Chinese foreign portfolio flows on the world's stocks and examine the transmission channel, we conduct an event-study analysis around monetary policy announcement days.

3.1 Hypotheses

Our main hypothesis is that the announcement of a monetary policy change in China may affect global stock returns through portfolio rebalancing by Chinese private investors, including institutional and retail. If a monetary policy announcement changes the expected return or risk properties of Chinese equities, the risk attitude of home investors, or alters domestic liquidity conditions, Chinese investors should rebalance their portfolios by changing the share of foreign equity holdings. As investors rebalance, Chinese mutual funds invested in foreign equities can experience inflows, redemptions, or allocation changes depending on the sign of the shock and the extent to which QDII quotas are binding, leading to differential responses in the returns of stocks held by these funds relative to those not held. Therefore, we expect that country equity indexes and individual stocks more heavily exposed to QDII fund holdings should experience bigger relative return changes after Chinese monetary policy changes. Although we do not provide evidence on the aggregate implication of this transmission, we label these differential effects a "nascent financial channel of Chinese monetary policy international transmission". In particular, given that Chinese and foreign equity returns tend to be positively correlated in the data, we expect that a contractionary(easing) Chinese monetary policy shock negatively(positively) impacts foreign stock returns, especially for country

indexes and individual stocks that are more exposed to QDII fund holdings.

Our second hypothesis concerns the mechanism underlying the transmission. We conjecture that the differential price impacts reflect portfolio rebalancing, whereby Chinese households and/or asset managers adjust their allocations between riskier foreign equities and safer assets such as bonds and cash. In particular, households are expected to rebalance between equity products and safer alternatives, such as bond funds, leading to heterogeneous responses across QDII fund mandates. In turn, fund managers may adjust portfolio allocations between equities and safer assets, either passively in response to investor flows or actively through discretionary rebalancing. We hypothesize that both channels contribute to this nascent financial transmission of Chinese monetary policy and, in our empirical analysis, seek to quantify their relative importance.

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, quantifying the importance of these announcements by looking at their impact on interest rate swaps. For robustness, we also consider stock return behavior in response to changes in QDII fund quotas, as announced monthly by SAFE, and on days preceding the annual Spring Festival. QDII quota increases should have a significant positive impact on exposed stocks. Similarly, the effects and the conjectured mechanisms 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 window of very few days around these events (narrow relative to the typical portfolio rebalancing frequency), we can control for the influence of other shocks that could also affect global stock returns.

Identifying Chinese Monetary Policy Shocks

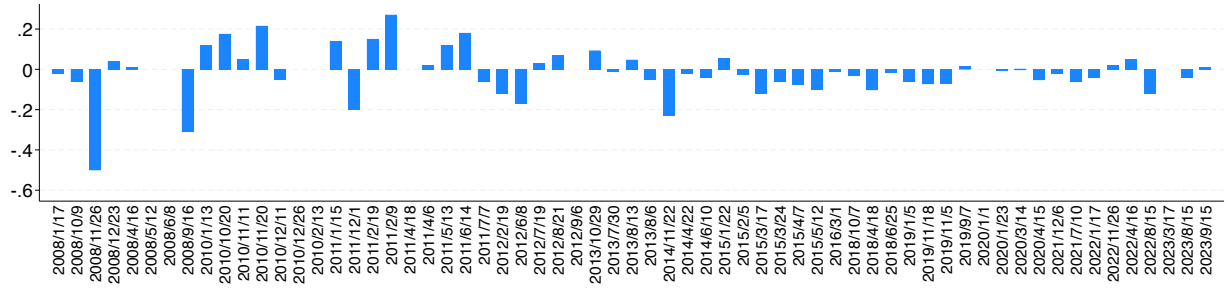
China's monetary policy has multiple goals and instruments and is notoriously hard to represent as a sequence of well-behaved shocks (Miranda-Agrippino et al. 2025). Our goal is not to propose a new way to identify monetary policy shocks in China, but rather to identify a set of plausibly exogenous monetary policy shocks that provide the variation needed to investigate our hypotheses about the international financial transmission of such shocks.

To address these issues, we follow Kamber and Mohanty (2018), Das and Song (2023), and Shieh (2024) and take the following four steps. First, we select a subset of the many policy instruments used by the PBoC. Second, for this small subset of instruments, we collect all announcement dates from the PBoC website. Third, we take the daily change in the 7-day swap rate on those announcement days. Fourth and finally, we conduct a robustness analysis and assess consistency with other approaches to estimating Chinese monetary policy shocks.

In terms of policy instruments, we focus on the four arguably most important ones: the required reserve ratio for banks, the benchmark bank deposit and lending rates, the medium-term lending facility (MLF) rate, and the 7-day reverse repo rate. This set is parsimonious, without being contaminated by the measurement challenges of adopting principal component techniques on a larger set of monetary policy tools. It includes both quantity-based and price-based instruments. Importantly, it does not include quasi-fiscal instruments like credit tools. Additionally and importantly, the data are available for the full sample period.

We obtain monetary policy announcements for these four instruments from the PBoC website. To sign all announcements and capture their intensity, we use daily changes in the 1-year interest rate swap rate around announcement dates, which reflect revisions in expectations about the underlying interbank 7-day repo rate. The daily window minimizes the likelihood of capturing shocks specific to the treated country indexes or individual stock returns, while allowing for the time-zone differences. We exclude announcement days that occur within five days after the FOMC meetings to mitigate the risk of contamination from U.S. monetary policy announcements. Additionally, we require that two announcements do not overlap within five days to minimize the risk of spillover

Figure 5 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.

treatments across nearby policy announcements. Applying these criteria over our sample period from 2008 to 2023, we identify 63 announcement days plotted in Figure 5.

The average daily change in the 1-year interest rate swap rates across these 63 events is negative two basis points (-0.02), with a standard deviation of 12 basis points (0.12). Figure 5 shows that, post 2015, the variance of Chinese monetary policy shocks has significantly decreased and that most of them are negative (i.e., easing surprises). 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, followed by the first trade war and the COVID pandemic, and then the housing crisis. We also note that some innovations in 2008 coincide with U.S. non-conventional monetary policy interventions during the Great Recession, and we will control for robustness of results by dropping 2008.

Table A4 in the Online Appendix reports the correlation between our estimated Chinese monetary policy shocks and contemporaneous U.S. 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. Our estimated shocks positively correlate only with future US monetary policy shocks, which we will control for in our econometric specifications. In unreported results, we also find that our estimated shocks have a 0.8 positive correlation with the path shock series in Shieh (2024), over the overlapping sample of 20 matched events. This is intuitive because our shocks are constructed using the one-year interest rate swap rate, whereas the path shocks in Shieh (2024) are

constructed using swap rates at 3, 6, 9, 12, and 24-month maturities.

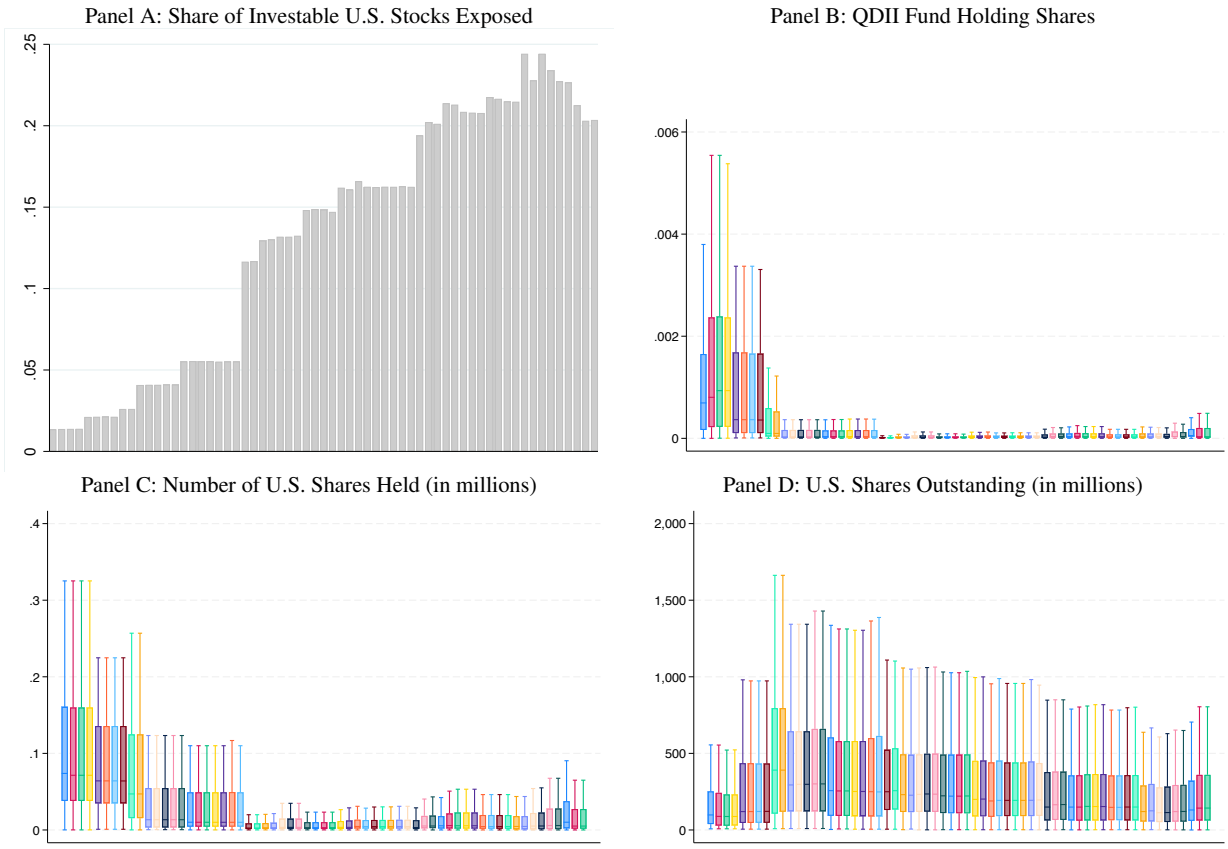
Exposure to QDII Funds

The second source of identification comes from the foreign stock holdings of QDII funds, which serve as a proxy for exposure to 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, non-financial corporation, the RMB-QDII program, the CIC fund, and capital flight (i.e., outflows that initially cross the border legally for other purposes, or circumvent official capital controls illegally, and then transition into foreign equity investments). As we noted earlier, here, the critical assumption is that QDII funds reflect the portfolio preferences and behaviors of all Chinese private investors, not only the households and mutual funds under the QDII program umbrella.

Figure 6 illustrates the time variation and the heterogeneity in the "treatment" in our empirical analysis. Panel A plots the share of *total* investable U.S. stocks held by all QDII funds across our 63 monetary policy announcement days. It shows that QDII exposure grew steadily over time, consistent with the growing size of the Chinese equity position in the U.S. in Panel D of Figure 2, peaking at about 25% of the universe of investable U.S. stocks during the COVID pandemic.

Panel B plots a sequence of Whisker plots, across our 63 monetary policy announcement days, of the distribution of the number of shares held by QDII funds as a ratio of the total number of shares issued in the U.S. market 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 QDII fund quota and equity holdings. The distributions bare more homogeneous after 2010. 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 concentration was even bigger at the beginning of the program—for example, only 72 stocks were exposed to the program in 2008.

Figure 6 QDII FUND EQUITY HOLDINGS BY MONETARY POLICY ANNOUNCEMENT



Note. The figure describes the QDII funds' footprint in the U.S. stock market across our 63 monetary policy announcement days. Panel A reports the share of investable U.S. stocks held by QDII funds on the announcement day. Panel B presents a sequence of Whisker plots of the ratio, for each U.S. stock, of the number of shares owned by Chinese QDII funds to the total number of shares outstanding, by announcement days. Panel C plots the numerator of the ratio in Panel B—the total number of QDII fund-owned shares (in millions). Panel D plots the Whisker plots of the denominator—the total number of U.S. shares outstanding.

Panel D 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 began implementing quantitative easing.

To avoid any bias from time variation and heterogeneity in treatment intensity, in our baseline analysis of individual stock returns, we estimate specifications with a homogeneous time-invariant treatment defined as an indicator variable equal to one whenever the QDII holding is positive (as in Panel A of Figure 6). We then compute the exposure both as the number of QDII held shares

relative to the total number of shares issued (as in Panel B of Figure 6) and as the dollar value of the holding relative to the individual stock capitalization, both measured on the last reporting period before the announcement day. However, when we estimate the impact of QDII fund exposure on MSCI return, we only use market exposure as the value share.

In our empirical analysis, we also address several additional identification concerns, examine alternative events such as quota increases and the Spring Festival, employ alternative measures of monetary policy shocks, and control for trade and production linkages. We describe the regression specifications alongside the estimation results in the following sections, and provide a detailed discussion of all robustness checks thereafter. We now turn to a description of the data.

3.3 Data

The definitions and sources of all variables used in the empirical analysis are reported in the Table A1 of the Online Appendix. Summary statistics are presented in Table A2. Our data comes from several sources, primarily the Wind terminal for QDII fund stock holdings from 2007 to 2023 and individual approved quotas. By regulation, QDII funds must disclose detailed holdings semi-annually (in the second and fourth quarters) and report only their top 10 stock holdings in the first and third quarters. The Wind terminal also reports SAFE monthly quota review outcomes based on the information published on the PBoC website.[7] We merge QDII fund stock holdings with annual financial information from Thomson Reuters Worldscope using the ISIN (International Securities Identification Number). The U.S. financial information and stock data are from Compustat and CRSP. Specifically, we match the first 8 digits of the CUSIP code with the 3^{rd} to the 11^{th} digit of the ISIN code in the QDII fund disclosures to identify U.S. stocks held by Chinese QDII funds. Additionally, we use MSCI country-return indices.

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 from the IMF. Other

[7] This information includes the institution's name, the latest quota change approval date, and the cumulative approved quota for banks, funds, insurance, and trusts.

country-level variables at the monthly frequency include the CPI inflation rate and changes in industrial production, which are sourced from the World Bank Global Economic Monitor (GEM), while exchange rate data are from the BIS.

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 total QDII holding values 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 on announcement day t.

Control variables include 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.

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 and the lagged QDII fund share is negative and statistically significant in columns (1)-(3). It is also significantly larger in the sub-sample of emerging market economies, which is intuitive because these are smaller and less liquid markets.

Table 1 MSCI COUNTRY STOCK RETURN RESPONSES

	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	-0.234***	-0.159**	-0.258**
	(0.039)	(0.055)	(0.053)	(0.049)	(0.053)	(0.068)	(0.078)	(0.069)	(0.102)
Constant	-0.001	-0.002	-0.001	0.000	0.001	-0.001	-0.071	-0.209***	-0.011
	(0.001)	(0.001)	(0.002)	(0.001)	(0.002)	(0.002)	(0.043)	(0.072)	(0.055)
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 monetary policy announcements from 2008 to 2023. 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). The regression includes the value of stocks held by Chinese QDII funds (normalized by market capitalization), $w_{c,t-1}$, and its interactions with Chinese monetary policy shocks, U.S. monetary policy shocks, changes in the log VIX index, and changes in log commodity prices. Country-level controls include year-over-year changes in industrial production, normalized bilateral trade with China, and the lagged dependent variable. The regression also includes country and event day fixed effects. All standard errors are clustered at the country and event levels and reported in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

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 should decrease or at least slow down. In turn, this should weaken the USD exchange rate and lower the local-currency-denominated stock index return in countries from which Chinese residents are divesting or in which they are investing less. This is indeed what we find in columns (4)-(6). MSCI local returns respond negatively 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: take the 0.045 coefficient on the main interaction term in Column (1) and the standard deviation of $w_{c,t-1}$ from Table A2 in the Online Appendix, which is 0.03; since the swap rate changes on announcement days are standardized, the cross-sectional difference in return is 13.5=0.045*0.03 basis points.

Is this estimated differential effect consistent with the magnitude of China's total foreign equity holdings in the data described in Section 2? Acknowledging that applying an aggregate multiplier to a cross-sectional regression can only provide a very crude reality check on our estimates, a back-of-the-envelope calculation suggests that the estimated effects could be plausible. 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 a world market cap of about US$100 trillion in 2023, a 13.5 bps price impact implies 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 we have estimated China's total foreign private equity holdings at about US$800 billion at the end of 2023 (including all IMF CIPS and

estimated equity outflows in the errors and omissions), our estimates imply a portfolio equity rebalancing in excess of 3% following a typical announcement. This is a big portfolio shift, but not a huge one on a global scale.

5 Individual U.S. Stock Return Responses

We now turn our attention to individual stocks listed in the United States using the following regression specification for the empirical analysis:

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

Here, r_{it} is the return of individual U.S. stock i on day t. 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 total U.S. market return represented by the value-weighted index with dividends, excluding American Depository Receipts (ADRs). We cumulate returns from one day before the announcement (denoted [-1, -1] in Table 2) to five trading days afterwards, providing admittedly limited evidence on the parallel trend assumption. Starting to accumulate returns more than one day before the announcement would result in either several cases of multiple monetary policy announcements affecting the same cumulated daily return (because we are focusing on multiple instruments) or significantly limiting the number of announcements in our sample.

The main regressor is the interaction term between the monetary policy shock and the exposure variable. $\text{MPS}_t^{\text{China}}$ continues to denote the daily changes in the 1-year interest rate swap rate on announcement day t. The variable $w_{i,t-1}$ denotes the QDII holding exposure of stock i as of the last QDII fund reporting period before the announcement t. This is measured in three different ways. First, with an indicator variable equal to one when stock i is held in any QDII fund and zero otherwise. The dummy captures a homogeneous extensive margin of exposure as in Panel A of Figure 6. 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 Panel B of Figure 6, 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 used in the MSCI return analysis.

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 setting. We control for the interaction between macroeconomic variables and the QDII holding exposure to address the concern that the transmission might work through those channels. These interactions include 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. These macroeconomic variables themselves are absorbed by the industry-time fixed effects.

In addition, we control for individual observable stock characteristics, including firm size, market beta, turnover, and previous month return, which are standard in individual stock return regressions. To control for unobservable stock characteristics, we also include firm fixed effects. Additionally, we include industry–event day fixed effects that control for heterogeneous industry sensitivity to monetary policy (e.g., construction vs. finance). This can help account for the production network effects documented in Shieh and Sanyal (2024), according to which Chinese monetary policy transmits internationally through input–output linkages.

5.1 Baseline Results

The first row in Table 2 reports the estimation results for the main parameter of interest. Our baseline results are based on cumulative abnormal stock returns and the dummy variable for QDII exposure. The interaction term between the exposure dummy and the Chinese monetary policy shock series is statistically insignificant and economically close to zero in columns (1) and (2), which arguably suggests that we are not violating the parallel trend assumption. Observing no contemporaneous effects is plausible because of time-zone differences and the fact that both passive and active funds tend to rebalance the day after a macro news.

Table 2 INDIVIDUAL U.S. STOCK RETURN RESPONSES

	[-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)
Previous 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	0.030	-0.063	-0.012	-0.018	-0.029	-0.035	-0.184
	(0.052)	(0.089)	(0.109)	(0.132)	(0.132)	(0.141)	(0.159)
Number of Events				63			
Fixed Effects				Firm, Industry×Event			
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 (CAPM-based) return of individual stocks. The regression includes a dummy variable indicating whether a stock is held by Chinese QDII funds, as well as its interactions with Chinese monetary policy shocks, U.S. monetary policy shocks, daily changes in the log VIX index, and daily changes in the log commodity price index. Firm-level controls include firm size, market beta, turnover, and the previous month's return. The regression also includes firm and industry-event day 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.

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, suggesting that the bulk of the rebalancing occurs on the day after the announcement. These results are in line with the analysis of the MSCI index returns in Table 1 and confirm that individual stocks more exposed to QDII holding are more affected than those less exposed.

5.2 U.S. Stocks Characteristics and Linkages with Mainland Fundamentals

Next, we explore drivers of the main results by examining effects in specific sub-samples. For ease of presentation, Table 3 reports results based on the three-day cumulative abnormal returns (CAPM-based, [-1, 1]), around announcement days. Columns (1)-(6) illustrate that the estimated price impact differential in the full sample is driven by smaller and less liquid stocks and, to a lesser extent, by low-turnover stocks. This is plausible as a given flow should have a larger price impact, the more limited the market's ability to absorb it, and the less liquid the individual stock.

The next sample split addresses the concern that the baseline results are driven by Chinese firms such as Alibaba, which may be more sensitive to Chinese monetary policy changes, or stocks more broadly exposed to the mainland economy. To test this, we divide the sample based on listing exchanges, since many 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 ADRs, we would expect statistically significant coefficients only in the ADR sample. Instead, the effect of the monetary policy announcements is also statistically significant for regular stocks, though the coefficient is notably smaller. This is intuitive given that the main driver of Chinese private foreign equity demand should be diversification, with anecdotal evidence suggesting strong interest for U.S. growth stocks, such as Apple and Tesla, as well as equities in the S&P 500 and the NASDAQ indexes.

The following sample split considers the possibility that our baseline results are driven by the real channel of international transmission of Chinese monetary policy. In columns (9) and (10), we sort U.S. stocks by their exposure to the Shanghai Stock Market Index, as measured by the CAPM β^{China}, under the assumption that this exposure represents a systematic factor affecting U.S. stock returns. For example, a Chinese monetary policy shock may affect the Chinese stock market, which could mechanically impact U.S. stocks with high β^{China}. If this factor were the main driver of our results, we would expect significance only among high-β^{China} stocks. Instead, again, we find that our results hold in both high- and low-β^{China} sub-samples. This is evidence that our baseline results are not driven by this channel.

Our last sub-sample split sorts all stocks based on a firm's share of foreign sales in total sales.

Table 3 INDIVIDUAL U.S. STOCK RETURN RESPONSES: 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***	-0.005**	-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	-0.013	0.030***	-0.012	-0.009	0.034**
	(0.014)	(0.008)	(0.008)	(0.014)	(0.009)	(0.014)	(0.009)	(0.026)	(0.011)	(0.015)	(0.011)	(0.014)
$1^{\text{China}}_{i,t-1} \times \Delta \log \text{Price}^{\text{Commodity}}_t$	-0.183	0.131	0.232**	-0.276*	0.199*	-0.236	-0.004	0.199	0.174	-0.002	-0.107	0.157
	(0.159)	(0.091)	(0.094)	(0.159)	(0.113)	(0.160)	(0.095)	(0.310)	(0.129)	(0.150)	(0.113)	(0.105)
$1^{\text{China}}_{i,t-1}$	-0.022	-0.017***	-0.018***	-0.027	-0.018**	-0.017***	-0.015***	-0.005	-0.018***	-0.010	-0.013***	-0.015**
	(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***	-0.027***	-0.025***	-0.016**	-0.020***	-0.028***	-0.023***	0.001
	(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}	0.001	-0.019***	-0.018***	0.001	-0.002	-0.006	-0.006	-0.002	-0.009**	-0.001	-0.005	-0.012
	(0.005)	(0.004)	(0.004)	(0.005)	(0.005)	(0.004)	(0.004)	(0.008)	(0.004)	(0.004)	(0.004)	(0.009)
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)
Previous One-month Return	0.018***	0.019***	0.026***	0.017***	0.016**	0.016**	0.018***	0.005	0.024**	0.014***	0.018***	0.012
	(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	-0.144	0.172	-0.080	-0.118	-0.068	0.076	-0.019	0.041	-0.194	0.079	-0.035	-0.249
	(0.127)	(0.121)	(0.143)	(0.143)	(0.153)	(0.153)	(0.117)	(0.175)	(0.250)	(0.118)	(0.098)	(0.326)
Observations	147850	148117	148322	147619	147507	148042	276379	20646	147909	148242	252365	44073
Adjusted R^2	0.676	0.761	0.761	0.674	0.703	0.718	0.681	0.679	0.723	0.690	0.702	0.806
Fixed Effect	Firm, Industry×Event											
Event	63											

NOTE. The dependent variable is the 3-day cumulative abnormal return (CAPM-based) for individual U.S. stocks. Panel A splits the sample firms by size. Panel B divides 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 to the Shanghai stocks market index, and Panel F by the share of foreign sales in total sales. Except for Panel D, all the subsample splits are conditional on whether the stocks are held by QDII funds. The regression includes a dummy variable indicating whether a stock is held by Chinese QDII funds, as well as its interactions with Chinese monetary policy shocks, U.S. monetary policy shocks, daily changes in the log VIX index, and daily changes in the log commodity price index. Firm-level controls include firm size, market beta, turnover, and the previous month's return. We include firm and industry-event day 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.

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.

In the Online Appendix, we conduct additional robustness checks for exposure to mainland economic fundamentals, similar in spirit to the splits in columns (7)-(8), (9)-(10), and (11)-(12). First, using the Wind terminal's definition of China Concept Stock, we identify 84 such stocks held by QDII funds in our sample (out of 2,375 U.S.-listed stocks—2,132 regular stocks and the remainder ADRs) and conduct another subsample test restricted to regular non–China Concept stocks (Appendix Table A5). 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 A6). 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. To do so, we construct country-level outward direct investment (ODI) from China, normalized by China's total ODI, and interact it with Chinese monetary policy shocks. The results, reported in Appendix Table A7, again confirm the robustness of our findings.

5.3 Other Shocks: Quota Increases and the Annual Spring Festival

In this section, we conduct event studies on days when QDII fund quotas were relaxed and around the Chinese New Year. These results can provide indirect evidence of the international monetary policy transmission channel that we contend is nascent and can also test whether this channel operates in response to other domestic shocks.

QDII Quota Increases

As discussed in Section 2, SAFE continually approves individual investor quota applications, and the State Council occasionally expands the QDII program by increasing its total size. When individual or total QDII quotas are increased, we would expect to see an increase in the foreign stock returns exposed to these flows. To test this hypothesis, we collect information on quota increase *approvals* at the aggregate and individual fund level and then conduct an event study around the earliest approved individual quota increase day within each aggregate approved quota month.

Specifically, using SAFE and Wind terminal data, we first identify months in which aggregate approved quotas increased. There are 43 such months in our sample period. We then use individual QDII fund disclosures to determine the first day of those months in which an individual fund quota was increased, yielding 43 quota increase event days. The identifying assumption is that individual quota increase days proxy for total program quota increases. Using all individual quota increase dates would increase the likelihood that events overlap with one another. Using only the monthly aggregate SAFE approvals would risk that the event picks up other shocks within the same month.

As in the baseline analysis reported in Table 2, we then compare the returns of U.S. stocks exposed to QDII funds with those of non-exposed stocks on quota relaxation days. The estimation results in the Online Appendix Table A8 show that exposed stocks experience significantly larger price impact than not exposed ones on those days. The impact materializes within three days of the quota increase and persists for more than ten days. The findings provide direct evidence that Chinese foreign equity flows can exert a meaningful impact on individual U.S. stocks.

Spring Festivals

Next, we conduct an event study of the run-up to the annual Chinese Spring Festival. The Spring Festival is the most important national holiday in China and is known to generate a spike in liquidity demand for travel and celebration expenses. We would therefore expect withdrawals from QDII funds in the run-up to this holiday and a possible negative impact on individual U.S. stock returns exposed to QDII holdings. Table A9 in the Online Appendix reports the corresponding results.

Settlement of QDII fund redemptions typically takes three trading days. 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 A9. The results suggest that stocks held by QDII funds experience more negative returns before the Chinese New Year, although the effect could be present before the estimation window. 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 and then starts to taper somewhat. This is consistent with our analysis of monetary policy announcement days, with Chinese investors' liquidity demand increasing before the holidays and leading to QDII fund redemptions, which in turn are associated with negative returns on exposed stocks.

5.4 Testing for Asymmetric Transmission

Here, we study whether Chinese monetary easing and tightening have different spillovers on U.S. stock returns. In general, international financial transmission of monetary policy can be asymmetric because funding constraints, hedging costs, and risk appetite respond more strongly to negative shocks than to positive shocks. By itself, the QDII outflow quota system could mostly dampen spillovers rather than automatically make the transmission asymmetric: when quotas are slack, easing can translate into more Chinese purchases of foreign equities and higher global prices, but when quotas bind, that extra buying is capped. Tightening can also be muted under binding quotas because investors who want to repatriate do not necessarily trigger net foreign selling, as other investors with pent-up demand for foreign equities (next in the queue) can absorb the positions. However, easing–tightening asymmetry from quotas could arise if quotas tend to bind more often in easing episodes (e.g., during depreciation-pressure periods) than in tightening episodes, which is a plausible assumption and should make easing spillovers look smaller on average over long samples.

To test for asymmetric transmission, we augment the baseline specification for individual stock returns by interacting our main regressor with a dummy indicating contractionary versus easing

policy shocks. Table A10 reports the results. Overall, we find limited evidence of asymmetry in return responses over the full sample: responses to easing shocks become statistically significant four to five days after the announcement, whereas responses to tightening shocks appear to transmit more quickly, with effects of comparable magnitude.

5.5 Concerns about Monetary Policy Shock Identification

In this section, we conduct robustness analyses to address concerns with the identification of our monetary policy shocks, the presence of a structural break in the monetary transmission, or transmission dominated by outlier observations. Since our strategy for the identification of monetary policy innovations is novel and omits considering several other monetary policy tools, we also explore robustness by using a proven and well-known alternative series of monetary innovations.

A possible confounder factor in the empirical analysis is that our estimated Chinese monetary policy shocks may be correlated with other shocks. In Online Appendix Table A4, we report the correlation with selected global macro variables and find that our shocks are positively correlated only with future U.S. monetary policy shocks. Consequently, in the Online Appendix Table A11, we control for the interaction between QDII exposure and future U.S. monetary policy innovations, and the results do not change. Similarly, in Online Appendix Table A12, we estimate a specification with future commodity price changes, as Miranda-Agrippino et al. (2020) document that Chinese monetary policy has stronger effects on future commodity prices; our results continue to hold.

Next, in Online Appendix Table A13, we split the sample period into two time series subsamples and re-estimate the regression model before and after the 2015 crisis. This is to control for changes in the transmission, given that the variance of Chinese monetary policy shocks in Figure 5 declines and the shocks are mostly negative after 2015. We find that there is no big difference, with impacts perhaps slightly stronger post 2015.[8]

In Online Appendix Table A14, we also use an alternative series of Chinese monetary policy

[8] As we noted earlier, some shocks in 2008 coincide with days in which the Fed intervened with unconventional monetary policy tools during the Great Recession. In an unreported experiment, we verified that the results don't change when we exclude the 2008 and 2009 announcements from the event set.

shocks from Chen et al. (2018), which is quarterly. This addresses concerns related to the reliability of our estimated Chinese monetary policy shocks. To use this well-known shock series in our event study, we cumulate one-day abnormal stock returns across all announcement days within a given quarter, we replace our daily monetary policy innovations with the quarterly series, and then interact it with our homogeneous exposure as in Table 2. All control variables are also aggregated to a quarterly frequency. While the magnitude of the estimated effects is not directly comparable, the sign and the statistical significance are the same as in our baseline.

5.6 Other Robustness Analyses

Finally, we examine the robustness of our results along two other dimensions. First, we test whether the baseline results are sensitive to sample selection. Second, we re-estimate the benchmark firm-level specification using continuous time-varying heterogeneous treatments and using an alternative definition of cumulative abnormal return.

Sample Selection and Non-Random QDII Assignment

Next, we address possible sample selection issues. Considering any point in time during our sample period, Chinese QDII funds held 2,375 U.S.-listed stocks (including 243 ADRs) out of 10,622 investable equities (including 754 ADRs). Many QDII funds are passive and track major U.S. stock indexes, and this may affect the results. To address this possible selection problem, we match the sample of treated stocks to their control group based on size, turnover, and market beta. The final matched sample includes 2,358 U.S. stocks held by QDII funds, compared to 5,237 U.S. stocks not exposed to QDII funds. As Table A15 in the Online Appendix shows, the matching eliminates almost all differences between QDII-held and non-QDII-held stocks along these characteristics. Online Appendix Table A16 illustrates that the baseline estimation results are robust.

In this setting, the non-random assignment of the QDII holdings before the monetary policy shock could also be worrisome. To investigate this possibility, we control for observable characteristics that may influence the QDII share selection by augmenting our specifications with the inter-

action term between the monetary policy shocks and firm-level characteristics, following Roberts and Whited (2013). The results are reported in Online Appendix Table A17 and, once again, they are robust. Finally, we also account for stock inclusion in indexes by including an interaction term between Chinese monetary policy shocks and an S&P 500 inclusion dummy in Table A18.

Alternative Definition of Abnormal Returns and Continuous QDII Exposure

We start by re-estimating our baseline specification using an alternative measure of abnormal returns. The results for cumulative excess returns relative to the U.S. market are reported in Online Appendix Table A19 and are similar to the baseline.

We then consider a continuous measure of exposure to QDII funds, which is the number of shares held relative to the total number of shares outstanding. Results are similar when we use the dollar value held by QDII funds divided by a stock's market capitalization (unreported). Since the numerator and the denominator of this second alternative measure include valuation effects that might not cancel out, the first measure is preferable. Moreover, the two measures are highly correlated. Table A20 reports the estimation results, which are broadly consistent with our baseline findings in Table 2. However, the differential price impact is estimated less precisely, and the results are less persistent, showing some sign of reversal.

6 Mechanism

In this section, we explore the mechanisms underlying our return results, focusing on household and fund manager rebalancing.

6.1 QDII Fund Investor Rebalancing

Following monetary policy shocks, households may rebalance their portfolios between foreign stocks and other assets due to changes in their estimate of the risk-free rate, the risks they face, their risk aversion, shifts in liquidity demands, or a combination of these factors. In China's institutional

setting, such rebalancing toward or away from foreign equities could translate into inflows or outflows from QDII funds that are more heavily invested in foreign stocks. We investigate QDII investor rebalancing by estimating the responses of QDII fund flows to out estimated monetary policy shocks aggregated at the quarterly frequency.

For this purpose, we focus on QDII funds that invest in equities or bonds (i.e., "equity," "hybrid," and "bonds" only funds), excluding "alternatives" funds that primarily invest in commodities, gold, and real estate REITs. Our sample includes 220 non-alternative QDII funds:[9] 155 equity funds, 57 hybrid funds (primarily investing in equities despite their mandate), and 8 bond-only funds. Among these 155 equity funds, there are 42 actively managed and 113 passive. There are no passive hybrid or bond funds.[10]

The analysis is implemented by using QDII funds' quarterly disclosures, calculating flows 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 $\text{TNA}_{f,t}$ is 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.

We then specify the following regression:

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

Here, we include a similar set of control variables as in the price-impact regressions, such as con-

[9] This is the universe of QDII funds that were in existence at any point in time over the sample period. The sample comprises 196 funds that remained active as of end-2023, in addition to 24 funds that ceased to operate during the sample period.

[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.

temporaneous 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 accordingly, including the swap rate changes, adding the corresponding daily observations within the quarter, as we did in one of our robustness analyses. Following the fund flow literature, we include lagged fund flows and lagged fund returns as controls. The regression also includes fund fixed effects to account for time-invariant heterogeneity.

The hypothesis is that, if investors rebalance their portfolios from riskier foreign equities to safer foreign or domestic assets in response to a contractionary Chinese monetary policy announcement, we should see equity funds experiencing larger outflows than bond funds. Table 4 shows that both active and passive equity funds experience outflows in quarters in which Chinese monetary policy is contractionary. The effect is much stronger for active funds. QDII bond funds see inflows, but the effect is not statistically significant, perhaps because of the very small number of funds.

The interpretation of the hybrid funds' response is more difficult, especially because the coefficient of interest in column (2) is bigger than in column (1), while we would have expected the opposite. One reason why both types of funds may experience outflows is that, in practice, as we noted in Section 2, they have essentially the same equity portfolio share. However, hybrid funds' investor base could be more rate-sensitive and informed; so unexpected policy shocks may trigger more pronounced reactions. However, column (1) in Online Appendix Table A21, which is estimated by pooling all active equity and hybrid funds and including an interaction term between a hybrid-fund dummy and our monetary policy shocks, shows that these differences are not statistically significant.[11]

6.2 Retail or Institutional QDII Investor Rebalancing?

Retail investors own 79% of the QDII fund assets under management according to fund disclosures, consistent with the dominant role of retail investors in the Chinese financial market (Tan et

[11] The table also reports the portfolio share of different asset classes and shows that all interaction terms are statistically insignificant except for bond holdings, where hybrid funds experience slightly larger bond inflows compared to equity funds.

Table 4 QDII 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 fund flows, constructed as in equation (3) for each QDII fund in each quarter. The main regressor is the series of Chinese monetary policy shocks. Control variables include U.S. monetary policy shocks, changes in the log VIX index, changes in 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. The regression includes fund fixed effects. Standard errors are clustered at the fund level and reported in parentheses. *, ** and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

al. 2023). Hence, it is interesting to see if the international transmission mechanism of Chinese monetary policy that we documented is indeed retail-driven. To investigate this hypothesis, we classify fund flows as "retail" or "institutional" based on QDII fund semi-annual disclosures and then examine which flow is more responsive to Chinese monetary policy changes. Table A22 in the Online Appendix shows that retail investors are more sensitive to Chinese monetary policy news than institutional investors in both active equity and hybrid funds; no statistically significant difference is observed for passive equity or active bond funds.

One interpretation, here, is that Chinese retail investors operate in an environment with limited investment alternatives. Consequently, they focus on few asset classes and may be more responsive to changes in the drivers of their portfolio decisions. This evidence suggests that the international

financial transmission of Chinese monetary policy that we document, unlike international financial spillovers from U.S. monetary policy, is more likely driven by retail than institutional investors.

6.3 Fund 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 use cash holdings, leverage, or other strategies to smooth the impact of withdrawals. We examine manager rebalancing by estimating 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. Recall, in fact, that QDII funds must disclose their holdings by broad asset category each quarter.

For this purpose, we estimate the following econometric 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 value of different asset classes, including stocks, bonds, cash, and other assets, relative to the total net assets of fund f in quarter $t-1$. Control variables are 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 tightened, with the largest effects observed for active equity and hybrid funds. In the portfolios of active equity funds, the shares of all asset classes decline, including cash, which points to investor redemptions. Active hybrid funds also experience a decline in cash holdings, along with some indication of rebalancing toward bonds; however, these effects are not statistically significant. In contrast, changes in the portfolio shares of passive equity and active bond funds are statistically insignificant. We interpret this evidence as suggesting that QDII fund man-

Table 5 QDII FUND MANAGER REBALANCING

	$\frac{\Delta\text{Stock}_t}{\text{TNA}_{t-1}}$	$\frac{\Delta\text{Bond}_t}{\text{TNA}_{t-1}}$	$\frac{\Delta\text{Cash}_t}{\text{TNA}_{t-1}}$	$\frac{\Delta\text{Other Asset}_t}{\text{TNA}_{t-1}}$	$\frac{\Delta\text{Stock}_t}{\text{TNA}_{t-1}}$	$\frac{\Delta\text{Bond}_t}{\text{TNA}_{t-1}}$	$\frac{\Delta\text{Cash}_t}{\text{TNA}_{t-1}}$	$\frac{\Delta\text{Other Asset}_t}{\text{TNA}_{t-1}}$
	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 in the value of each asset class, divided by total net assets in the previous period. We report stocks, bonds, cash, and other assets. The main regressor is the series of Chinese monetary policy shocks. Control variables include U.S. monetary policy shocks, changes in the log VIX index, changes in log commodity prices, past mutual fund returns, and past fund flows. Panels A-D report results for active equity, passive equity funds, active hybrid, and active bond respectively. The regression includes fund fixed effects. Standard errors are clustered at the fund level and reported in parentheses. *, ** and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

agers choose not to, or may be unable to, effectively offset any household rebalancing.

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 abnormal returns of MSCI country indexes and individual U.S. stocks that are exposed (or more exposed) to Chinese QDII fund holdings respond more than not-exposed (or less exposed) assets to monetary policy announcements in China.

We also find portfolio rebalancing evidence that is consistent with these estimated impacts. In particular, we document that periods of monetary tightening are associated with active equity and hybrid fund outflows that portfolio managers cannot fully offset. Moreover, we estimate that QDII retail flows are more responsive than institutional investor flows to monetary policy changes, suggesting that the price impacts we uncover may be driven by Chinese households' rebalancing. This latter finding contrasts with the available evidence on the influence of U.S. monetary policy on world stock markets, which tends to operate through global banks and intermediaries.

Taken together, our results illustrate the potential influence on international equity markets of China's gradual liberalization of portfolio equity outflows. They also open up several areas for future research, including exploring the implications for this transmission of quota usage, the role of the QDII fund investor base, and the demand elasticity of Chinese private equity investors.

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Online Appendix

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

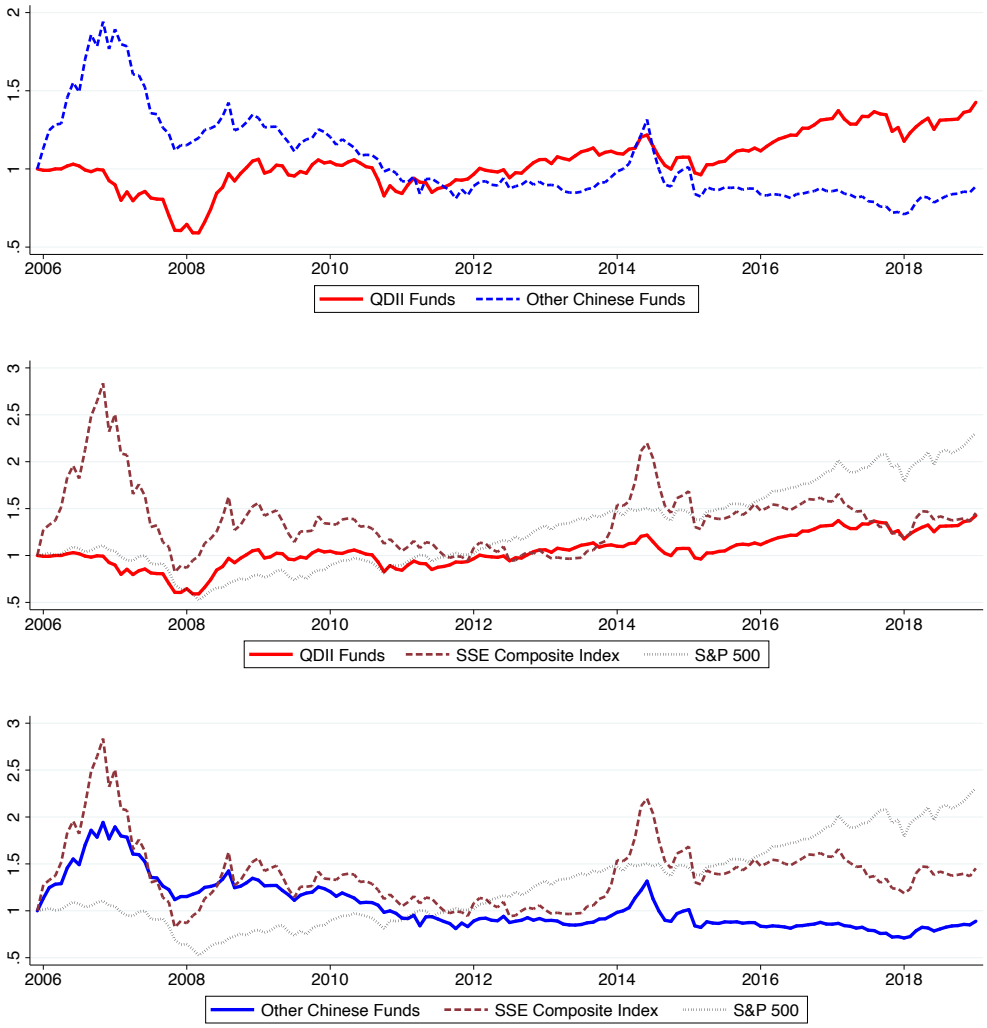
(Intended for online publication only)

by C. Ma, and A. Rebucci, and S. Zhou

January 13, 2026

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 Terminal.

Table A1 VARIABLE DEFINITIONS AND SOURCES

Variable	Definition	Source
Panel A: Macro variables		
$\text{MPS}_t^{\text{China}}$	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)
$\Delta \log \text{VIX}_t$	Daily change in VIX (in logs) index on Chinese announcement days.	FRED.
$\Delta \log \text{Price}_t^{\text{Commodity}}$	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
$w_{c,t-1}$	Aggregate stock holdings of QDII funds in country c, divided by the country's market capitalization.	Wind Terminal 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
$\text{ODI}_{c,t}$	Bilateral outward foreign direct investment from China to country c, normalized by China's total outward foreign direct investment.	Wind Terminal
Panel C: Firm-level variables		
$1_{i,t}^{\text{China}}$	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 Terminal
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 announcement.	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 Terminal 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
$1_{i,t-1}^{\text{S\&P500}}$	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
$1_{i,t-1}^{\text{Sales to China}}$	A dummy variable indicating whether firm 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 Terminal
Fund return	Holding period return for each quarter.	Wind Terminal
1_{Active}	A dummy variable indicating whether a fund is actively managed by a fund manager.	Wind Terminal
$1_{\text{Equity fund}}$	A dummy variable indicating whether a fund primarily invests in the equity market.	Wind Terminal
$\frac{\Delta \text{Stock}_t}{\text{TNA}_{t-1}}(\%)$	Quarterly change in stock value divided by total net assets in the previous quarter.	Wind Terminal
$\frac{\Delta \text{Bond}_t}{\text{TNA}_{t-1}}(\%)$	Quarterly change in bond value divided by total net assets in the previous quarter.	Wind Terminal
$\frac{\Delta \text{Cash}_t}{\text{TNA}_{t-1}}(\%)$	Quarterly change in cash value divided by total net assets in the previous quarter.	Wind Terminal
$\frac{\Delta \text{Other Asset}_t}{\text{TNA}_{t-1}}(\%)$	Quarterly change in the value of other assets (excluding stocks, bonds, funds, and cash), such as financial derivatives, divided by total net assets in the previous quarter.	Wind Terminal

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	9.77	17.19	2.48	5.71	10.92
Past one-month return	301060	20.98	0.72	20.94	21.01	21.08
Foreign sales ratio	301060	0.15	0.36	0.00	0.00	0.00
Illiquidity	301060	0.50	0.50	0.00	1.00	1.00
$1_{i,t-1}^{S\&P500}$	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	0.06	0.46	-0.10	-0.03	0.05
Fund return	4685	0.01	0.10	-0.04	0.02	0.07
1_{Active}	5071	0.61	0.49	0.00	1.00	1.00
$1_{\text{Equity fund}}$	5071	0.63	0.48	0.00	1.00	1.00
$\frac{\Delta \text{Stock}_t}{\text{TNA}_{t-1}}$(%)	4851	5.32	33.20	-9.14	0.00	9.43
$\frac{\Delta \text{Bond}_t}{\text{TNA}_{t-1}}$(%)	4851	0.02	3.20	0.00	0.00	0.00
$\frac{\Delta \text{Cash}_t}{\text{TNA}_{t-1}}$(%)	4851	0.57	10.03	-2.80	-0.23	2.42
$\frac{\Delta \text{Other Asset}_t}{\text{TNA}_{t-1}}$(%)	4851	0.50	7.60	-1.18	-0.01	1.26

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 (1)	Mean (2)	S.D. (3)	P25 (4)	P50 (5)	P75 (6)		Obs (1)	Mean (2)	S.D. (3)	P25 (4)	P50 (5)	P75 (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 MACRO SHOCKS CORRELATIONS 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 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**	0.003**	0.001	-0.000	-0.004**	-0.003*
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)
$1^{\text{China}}_{i,t-1} \times \Delta\log \text{VIX}_t$	-0.002	-0.005	0.007	-0.006	-0.011	0.012	0.019*
	(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**	-0.107	-0.019	-0.086	-0.132	-0.011	0.047
	(0.067)	(0.079)	(0.093)	(0.109)	(0.118)	(0.127)	(0.136)
$1^{\text{China}}_{i,t-1}$	-0.011***	-0.012***	-0.015***	-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***	-0.025***	-0.033***	-0.036***	-0.040***	-0.035***
	(0.001)	(0.002)	(0.002)	(0.003)	(0.003)	(0.003)	(0.004)
β^{US}	0.002	-0.002	-0.006	-0.008**	-0.005	-0.009*	-0.002
	(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**	0.011***	0.017***	0.023***	0.025***	0.028***	0.032***
	(0.002)	(0.004)	(0.005)	(0.006)	(0.006)	(0.006)	(0.007)
Constant	0.046	-0.036	-0.001	-0.010	-0.013	-0.023	-0.162
	(0.052)	(0.087)	(0.113)	(0.135)	(0.135)	(0.144)	(0.161)
Number of Events				63			
Fixed Effects				Firm, Industry×Event			
Observations	292353	292353	292353	292353	292353	292353	292353
Adjusted R^2	0.689	0.675	0.683	0.659	0.667	0.658	0.660

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 regression includes a dummy variable indicating whether a stock is held by Chinese QDII funds, as well as its interactions with Chinese monetary policy shocks, U.S. monetary policy shocks, daily changes in the log VIX index, and daily changes in the log commodity price index. Firm-level controls include firm size, market beta, turnover, and the previous month's 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 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]
$1^{\text{China}}_{i,t-1} \times \text{MPS}^{\text{China}}_t$	-0.001	-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)
$1^{\text{China}}_{i,t-1} \times \Delta\log \text{Price}^{\text{Commodity}}_t$	-0.123*	-0.101	0.011	-0.070	-0.101	-0.007	0.028
	(0.065)	(0.077)	(0.091)	(0.106)	(0.115)	(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)	(0.005)	(0.006)	(0.007)	(0.007)
$1^{\text{Sales to China}}_{i,t-1} \times \text{MPS}^{\text{China}}_t$	-0.008**	0.001	0.005	0.013*	0.014*	0.018**	0.026***
	(0.004)	(0.006)	(0.007)	(0.007)	(0.008)	(0.009)	(0.009)
$1^{\text{Sales to China}}_{i,t-1}$	0.030*	0.031	0.042	0.035	0.008	0.040	0.041
	(0.018)	(0.026)	(0.031)	(0.033)	(0.038)	(0.043)	(0.048)
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}	0.003	-0.002	-0.005	-0.008**	-0.005	-0.009*	-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	0.027	-0.066	-0.016	-0.021	-0.030	-0.038	-0.188
	(0.052)	(0.089)	(0.109)	(0.132)	(0.132)	(0.141)	(0.159)
Number of Events				63			
Fixed Effects				Firm, Industry× Event			
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. 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 regression includes a dummy variable indicating whether a stock is held by Chinese QDII funds, as well as its interactions with Chinese monetary policy shocks, U.S. monetary policy shocks, daily changes in the log VIX index, and daily changes in the log commodity price index. Firm-level controls include firm size, market beta, turnover, the previous month's return, and a dummy variable indicating sales to China, as well as its interaction term with Chinese monetary policy shocks. 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 MSCI COUNTRY STOCK RETURN RESPONSES: CONTROLLING FOR THE OUTWARD DIRECT INVESTMENT

	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	-0.234***	-0.158**	-0.260**
	(0.039)	(0.055)	(0.054)	(0.049)	(0.053)	(0.069)	(0.078)	(0.068)	(0.104)
Constant	-0.001	-0.003*	-0.002	0.000	0.000	-0.001	-0.077*	-0.215***	-0.006
	(0.001)	(0.002)	(0.002)	(0.001)	(0.002)	(0.002)	(0.044)	(0.075)	(0.056)
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 monetary policy announcements from 2008 to 2023. 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). The regression includes the value of stocks held by Chinese QDII funds (normalized by market capitalization), $w_{c,t-1}$, outward direct investment (ODI) with China (normalized by total Chinese ODI), and their interactions with Chinese monetary policy shocks, U.S. monetary policy shocks, changes in the log VIX index, and changes in log commodity prices. Country-level controls include year-over-year changes in industrial production, normalized bilateral trade with China, and the lagged dependent variable. The regression also includes country and event day fixed effects. All standard errors are clustered at the country and event levels and reported in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Table A8 INDIVIDUAL U.S. STOCK RETURN RESPONSES: QUOTA INCREASES

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 QDII fund 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). The regression includes a dummy variable indicating whether a stock is held by Chinese QDII funds, as well as its interactions with Chinese monetary policy shocks, U.S. monetary policy shocks, daily changes in the log VIX index, and daily changes in the log commodity price index. Firm-level controls include firm size, market beta, turnover, and the previous month's return. 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 A9 INDIVIDUAL U.S. STOCK RETURN RESPONSES: RUN UP TO THE 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 regression includes a dummy variable indicating whether a stock is held by Chinese QDII funds, as well as its interactions with Chinese monetary policy shocks, U.S. monetary policy shocks, daily changes in the log VIX index, and daily changes in the log commodity price index. Firm-level controls include firm size, market beta, turnover, and the previous month's 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 ASYMMETRIC EFFECTS ON INDIVIDUAL STOCK RETURNS

	[-1, -1] (1)	[-1, 0] (2)	[-1, 1] (3)	[-1, 2] (4)	[-1, 3] (5)	[-1, 4] (6)	[-1, 5] (7)
$1^{\text{China}}_{i,t-1} \times \text{MPS}^{\text{China}}_t * 1_{\text{MPS}^{\text{China}}_t<0}$	-0.004***	-0.002	-0.002	-0.000	-0.002	-0.007*	-0.008**
	(0.001)	(0.002)	(0.003)	(0.003)	(0.003)	(0.004)	(0.004)
$1^{\text{China}}_{i,t-1} \times \text{MPS}^{\text{China}}_t * 1_{\text{MPS}^{\text{China}}_t>0}$	0.003	0.000	-0.011**	-0.008	-0.011*	-0.003	-0.005
	(0.003)	(0.003)	(0.005)	(0.006)	(0.006)	(0.007)	(0.007)
$1^{\text{China}}_{i,t-1} \times \text{MPS}^{\text{US}}_t$	0.000	0.003***	0.002*	0.000	-0.000	-0.003*	-0.003
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)
$1^{\text{China}}_{i,t-1} \times \Delta \log \text{VIX}_t$	-0.000	-0.005	0.006	-0.006	-0.011	0.017	0.022*
	(0.006)	(0.008)	(0.009)	(0.011)	(0.011)	(0.012)	(0.013)
$1^{\text{China}}_{i,t-1} \times \Delta \log \text{Price}^{\text{Commodity}}_t$	-0.136**	-0.106	0.027	-0.058	-0.084	-0.015	0.022
	(0.064)	(0.076)	(0.089)	(0.103)	(0.112)	(0.122)	(0.130)
$1^{\text{China}}_{i,t-1}$	-0.012***	-0.012***	-0.013**	-0.007	0.003	-0.000	-0.003
	(0.003)	(0.004)	(0.005)	(0.007)	(0.007)	(0.008)	(0.008)
Size	-0.010***	-0.014***	-0.025***	-0.033***	-0.036***	-0.039***	-0.034***
	(0.001)	(0.002)	(0.002)	(0.003)	(0.003)	(0.003)	(0.004)
β^{US}	0.003	-0.002	-0.005	-0.008**	-0.005	-0.009*	-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**	0.012***	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	0.029	-0.063	-0.012	-0.018	-0.029	-0.035	-0.185
	(0.052)	(0.089)	(0.109)	(0.132)	(0.132)	(0.141)	(0.159)
Number of Events				63			
Fixed Effects				Firm, Industry×Event			
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 regression includes a dummy variable indicating whether a stock is held by Chinese QDII funds, as well as its interactions with Chinese monetary policy shocks multiplied by a dummy for positive shocks, Chinese monetary policy shocks multiplied by a dummy for negative shocks, U.S. monetary policy shocks, daily changes in the log VIX index, and daily changes in the log commodity price index. Firm-level controls include firm size, market beta, turnover, and the previous month's 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 CONTROLLING FOR FUTURE FOMC MEETINGS

	(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***	-0.003	-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	0.009	0.003	-0.002	0.020*	0.027**
	(0.005)	(0.007)	(0.008)	(0.009)	(0.010)	(0.011)	(0.011)
$1^{\text{China}}_{i,t-1} \times \Delta \log \text{Price}^{\text{Commodity}}_t$	-0.075	-0.077	0.011	-0.019	-0.054	0.028	0.082
	(0.061)	(0.074)	(0.088)	(0.104)	(0.113)	(0.123)	(0.133)
$1^{\text{China}}_{i,t-1}$	-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***	-0.036***	-0.039***	-0.036***
	(0.001)	(0.002)	(0.002)	(0.003)	(0.003)	(0.003)	(0.004)
β^{US}	0.003	-0.002	-0.005	-0.008**	-0.005	-0.009*	-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**	0.012***	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	0.030	-0.063	-0.012	-0.018	-0.029	-0.035	-0.184
	(0.052)	(0.089)	(0.109)	(0.132)	(0.132)	(0.141)	(0.159)
Number of Events				63			
Fixed Effects				Firm, Industry×Event			
Observations	297025	297025	297025	297025	297025	297025	297025
Adjusted R^2	0.685	0.671	0.681	0.657	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 regression includes a dummy variable indicating whether a stock is held by Chinese QDII funds, as well as its interactions with 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, and daily changes in the log commodity price index. Firm-level controls include firm size, market beta, turnover, and the previous month's 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 A12 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***	-0.004**	-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)	(0.002)	(0.002)	(0.002)
$1^{\text{China}}_{i,t-1} \times \Delta\log\text{Price}^{\text{Commodity}}_{t+1}$	-0.009	0.108	0.052	-0.004	0.088	0.146	0.301*
	(0.070)	(0.086)	(0.101)	(0.126)	(0.132)	(0.142)	(0.156)
$1^{\text{China}}_{i,t-1} \times \Delta\log\text{VIX}_{t}$	-0.003	-0.008	0.008	-0.003	-0.010	0.013	0.014
	(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**	-0.224***	-0.049	-0.065	-0.201	-0.174	-0.315**
	(0.054)	(0.077)	(0.099)	(0.123)	(0.132)	(0.143)	(0.156)
$1^{\text{China}}_{i,t-1}$	-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***	-0.036***	-0.039***	-0.034***
	(0.001)	(0.002)	(0.002)	(0.003)	(0.003)	(0.003)	(0.004)
β^{US}	0.003	-0.002	-0.005	-0.008**	-0.005	-0.009*	-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**	0.012***	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	0.030	-0.063	-0.012	-0.018	-0.029	-0.035	-0.185
	(0.052)	(0.089)	(0.109)	(0.132)	(0.132)	(0.141)	(0.159)
Number of Events				63			
Fixed Effects				Firm, Industry×Event			
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. 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 regression includes a dummy variable indicating whether a stock is held by Chinese QDII funds, as well as its interactions with Chinese monetary policy shocks, U.S. monetary policy shocks, daily changes in the log VIX index, and 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). Firm-level controls include firm size, market beta, turnover, and the previous month's 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 INDIVIDUAL U.S. STOCK RETURN RESPONSES: BEFORE AND AFTER THE 2015 CRISIS

	(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							
$1^{\text{China}}_{i,t-1} \times \text{MPS}^{\text{China}}_{t}$	-0.001	0.000	-0.005***	-0.003*	-0.004***	-0.004**	-0.007***
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)
Panel B: After 2015							
$1^{\text{China}}_{i,t-1} \times \text{MPS}^{\text{China}}_{t}$	-0.000	-0.003	-0.005**	-0.003	-0.011***	-0.007**	-0.008**
	(0.001)	(0.002)	(0.002)	(0.003)	(0.003)	(0.003)	(0.003)

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. Panels A and B split the sample into two periods: before and after 2015. The regression includes a dummy variable indicating whether a stock is held by Chinese QDII funds, as well as its interactions with Chinese monetary policy shocks, U.S. monetary policy shocks, daily changes in the log VIX index, and daily changes in the log commodity price index. Firm-level controls include firm size, market beta, turnover, and the previous month's 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 A14 ALTERNATIVE MEASURE OF CHINESE MONETARY POLICY SHOCKS

Sample Period: 2008-2019 Q2	(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 in Column (2) for individual U.S.-listed stocks. The regression includes a dummy variable indicating whether a stock is held by Chinese QDII funds, as well as its interactions with Chinese monetary policy shocks, U.S. monetary policy shocks, daily changes in the log VIX index, and daily changes in the log commodity price index. Firm-level controls include firm size, market beta, turnover, and the previous month's return. Firm and industry-by-time 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 A15 PROPENSITY SCORE MATCHING

	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	15.860	16.013	1.691	12.765	12.736	1.892	3.095	***
Turnover	12.403	8.448	15.073	9.371	5.166	17.455	3.034	***
β^{US}	1.113	1.066	0.479	0.949	0.945	0.634	0.165	***
Panel B: After propensity score matching								
Size	15.262	15.460	1.528	15.257	15.421	1.497	0.005	
Turnover	13.080	9.107	14.793	13.323	8.448	20.543	-0.243	
β^{US}	1.141	1.091	0.492	1.145	1.086	0.530	-0.003	

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 A16 INDIVIDUAL U.S. STOCK RETURN RESPONSES: MATCHED SAMPLE

Event window	(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*	-0.003	-0.002	-0.002
	(0.001)	(0.002)	(0.002)	(0.002)	(0.002)	(0.003)	(0.003)
$1^{\text{China}}_{i,t-1} \times \text{MPS}^{\text{US}}_t$	-0.001	-0.000	-0.001	-0.003*	-0.003	-0.007***	-0.009***
	(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	-0.018	-0.046***	-0.063***	-0.049**	-0.004	0.009
	(0.011)	(0.013)	(0.016)	(0.019)	(0.020)	(0.021)	(0.022)
$1^{\text{China}}_{i,t-1} \times \Delta \log \text{Price}^{\text{Commodity}}_t$	-0.045	-0.113	-0.022	-0.112	0.007	-0.011	-0.147
	(0.108)	(0.130)	(0.155)	(0.183)	(0.191)	(0.205)	(0.219)
$1^{\text{China}}_{i,t-1}$	-0.007***	-0.006*	-0.011***	-0.006	0.003	0.005	0.005
	(0.002)	(0.003)	(0.004)	(0.005)	(0.005)	(0.006)	(0.006)
Size	-0.019***	-0.022***	-0.038***	-0.055***	-0.063***	-0.064***	-0.055***
	(0.003)	(0.004)	(0.005)	(0.005)	(0.006)	(0.006)	(0.006)
β^{US}	0.007	0.012	0.010	0.004	0.004	-0.002	0.005
	(0.008)	(0.008)	(0.008)	(0.009)	(0.010)	(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-month return	0.022	0.032*	0.039**	0.045***	0.043**	0.046**	0.048**
	(0.016)	(0.017)	(0.018)	(0.017)	(0.018)	(0.023)	(0.023)
Constant	-0.163	-0.336	-0.226	-0.097	0.078	0.051	-0.141
	(0.335)	(0.356)	(0.389)	(0.365)	(0.388)	(0.488)	(0.485)
Number of Events				63			
Fixed Effects				Firm, Industry×Event			
Observations	54503	54503	54503	54503	54503	54503	54503
Adjusted R^2	0.742	0.785	0.775	0.761	0.773	0.768	0.768

NOTE. The analysis is conducted based on a matched sample selected from Table A15. 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 regression includes a dummy variable indicating whether a stock is held by Chinese QDII funds, as well as its interactions with Chinese monetary policy shocks, U.S. monetary policy shocks, daily changes in the log VIX index, and daily changes in the log commodity price index. Firm-level controls include firm size, market beta, turnover, and the previous month's 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 A17 CONTROLLING FOR THE NON-RANDOMNESS OF QDII FUND HOLDINGS ASSIGNMENT

	(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	-0.005***	-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	0.003***	0.003**	0.001	0.001	-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	-0.004	-0.008	0.016	0.021*
	(0.006)	(0.007)	(0.008)	(0.010)	(0.010)	(0.011)	(0.011)
$1^{\text{China}}_{i,t-1} \times \Delta \log \text{Price}^{\text{Commodity}}_t$	-0.128**	-0.107	-0.002	-0.071	-0.106	-0.018	0.008
	(0.065)	(0.077)	(0.091)	(0.106)	(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)	(0.005)	(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	-0.000	-0.008***	-0.004***	-0.000	0.002
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)
$\text{Turnover}_{i,t-1} \times \text{MPS}^{\text{China}}_t$	-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-month $\text{return}_{i,t-1} \times \text{MPS}^{\text{China}}_t$	0.005***	0.004	0.007	0.002	0.007	0.009	0.010
	(0.002)	(0.005)	(0.006)	(0.005)	(0.005)	(0.006)	(0.008)
Constant	0.018	-0.071	-0.029	-0.023	-0.044	-0.055	-0.208
	(0.053)	(0.086)	(0.108)	(0.132)	(0.132)	(0.142)	(0.158)
Number of Events	63						
Fixed Effects	Firm, Industry×Event						
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. 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 regression includes a dummy variable indicating whether a stock is held by Chinese QDII funds, as well as its interactions with Chinese monetary policy shocks, U.S. monetary policy shocks, daily changes in the log VIX index, and daily changes in the log commodity price index. Firm-level controls include firm size, market beta, turnover, and the previous month's return, as well as their interactions with Chinese monetary policy shocks. We include firm and industry-by-event fixed effects. We omit firm-level controls 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 A18 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]
$1_{i,t-1}^{\text{China}} \times \text{MPS}_t^{\text{China}}$	-0.001	-0.001	-0.007***	-0.004**	-0.007***	-0.007***	-0.007***
	(0.001)	(0.001)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
$1_{i,t-1}^{\text{China}} \times \text{MPS}_t^{\text{US}}$	-0.000	0.003***	0.003**	0.001	0.001	-0.003*	-0.003
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)
$1_{i,t-1}^{\text{China}} \times \Delta\log \text{VIX}_t$	-0.003	-0.006	0.009	-0.004	-0.009	0.014	0.020*
	(0.006)	(0.007)	(0.008)	(0.010)	(0.010)	(0.011)	(0.011)
$1_{i,t-1}^{\text{China}} \times \Delta\log \text{Price}_t^{\text{Commodity}}$	-0.127*	-0.105	0.009	-0.075	-0.106	-0.013	0.019
	(0.065)	(0.078)	(0.091)	(0.107)	(0.116)	(0.125)	(0.134)
$1_{i,t-1}^{\text{China}}$	-0.008***	-0.009**	-0.012**	-0.004	0.007	0.009	0.004
	(0.003)	(0.004)	(0.005)	(0.006)	(0.006)	(0.007)	(0.007)
$1_{i,t-1}^{\text{S\&P500}} \times \text{MPS}_t^{\text{China}}$	-0.000	-0.001	0.001	0.001	0.002	0.003**	-0.000
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
$1_{i,t-1}^{\text{S\&P500}}$	-0.022***	-0.019**	-0.029***	-0.045***	-0.056***	-0.069***	-0.061***
	(0.006)	(0.008)	(0.011)	(0.013)	(0.015)	(0.016)	(0.016)
Size	-0.010***	-0.013***	-0.024***	-0.032***	-0.035***	-0.038***	-0.033***
	(0.001)	(0.002)	(0.002)	(0.003)	(0.003)	(0.003)	(0.004)
β^{US}	0.003	-0.002	-0.005	-0.008**	-0.005	-0.009*	-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**	0.012***	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	0.026	-0.067	-0.018	-0.027	-0.040	-0.048	-0.196
	(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	0.672	0.681	0.657	0.665	0.656	0.658

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 regression includes a dummy variable indicating whether a stock is held by Chinese QDII funds, as well as its interactions with Chinese monetary policy shocks, U.S. monetary policy shocks, daily changes in the log VIX index, and daily changes in the log commodity price index. Firm-level controls include firm size, market beta, turnover, the previous month's return, and a dummy for S&P 500 member stocks together with its interaction with Chinese monetary policy shocks. We also 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 INDIVIDUAL U.S. STOCK RETURN RESPONSES: CUMULATIVE EXCESS RETURNS RELATIVE TO THE U.S. MARKET RETURN

	(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	-0.005***	-0.003*	-0.005***	-0.003*	-0.005**
	(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**	0.001	-0.000	-0.002	-0.006***	-0.007***
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)
$1^{\text{China}}_{i,t-1} \times \Delta \log \text{VIX}_t$	-0.013**	-0.009	0.001	0.004	0.004	0.024**	0.044***
	(0.006)	(0.007)	(0.008)	(0.009)	(0.010)	(0.010)	(0.011)
$1^{\text{China}}_{i,t-1} \times \log \text{Price}^{\text{Commodity}}_t$	-0.218***	-0.168**	-0.113	-0.160	-0.188*	-0.108	0.054
	(0.067)	(0.079)	(0.091)	(0.104)	(0.113)	(0.121)	(0.131)
$1^{\text{China}}_{i,t-1}$	-0.003	0.001	-0.002	-0.000	0.012**	0.004	0.007
	(0.003)	(0.004)	(0.005)	(0.005)	(0.006)	(0.006)	(0.007)
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}	0.006***	0.001	0.004	0.001	-0.003	-0.003	-0.005
	(0.002)	(0.003)	(0.003)	(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	0.006***	0.013***	0.020***	0.025***	0.027***	0.033***	0.037***
	(0.002)	(0.004)	(0.005)	(0.006)	(0.006)	(0.006)	(0.007)
Constant	-0.144***	-0.382***	-0.514***	-0.662***	-0.815***	-1.023***	-1.293***
	(0.053)	(0.091)	(0.112)	(0.132)	(0.132)	(0.145)	(0.159)
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 regression includes a dummy variable indicating whether a stock is held by Chinese QDII funds, as well as its interactions with Chinese monetary policy shocks, U.S. monetary policy shocks, daily changes in the log VIX index, and daily changes in the log commodity price index. Firm-level controls include firm size, market beta, turnover, and the previous month's 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 A20 INDIVIDUAL U.S. STOCK RETURNS RESPONSES: NUMBER OF QDII SHARES RELATIVE TO TOTAL NUMBER OF SHARES OUTSTANDING

	A: Cumulative Abnormal Return			B: Cumulative Excess Return		
	[-1, -1] (1)	[-1, 0] (2)	[-1, 1] (3)	[-1, -1] (4)	[-1, 0] (5)	[-1, 1] (6)
$w_{i,t-1}^{\text{China}} \times \text{MPS}_t^{\text{China}}$	-0.085	-0.176*	-0.129	-0.105	-0.241**	-0.150
	(0.093)	(0.098)	(0.185)	(0.086)	(0.116)	(0.184)
$w_{i,t-1}^{\text{China}} \times \text{MPS}_t^{\text{US}}$	0.086	0.133	0.217*	0.128	0.159	0.178
	(0.076)	(0.088)	(0.132)	(0.089)	(0.100)	(0.136)
$w_{i,t-1}^{\text{China}} \times \Delta \log \text{VIX}_t$	-2.430	-4.103**	-1.941	-3.070	-4.852**	-2.647
	(1.740)	(1.928)	(2.066)	(1.877)	(2.047)	(2.183)
$w_{i,t-1}^{\text{China}} \times \Delta \log \text{Price}_t^{\text{Commodity}}$	-11.868	-17.470	-11.136	-17.090	-21.426	-18.519
	(13.450)	(15.663)	(19.629)	(14.184)	(15.708)	(18.939)
$w_{i,t-1}^{\text{China}}$	0.127	0.344	0.596	0.305	0.656*	0.845
	(0.287)	(0.357)	(0.557)	(0.312)	(0.371)	(0.575)
Size	-0.011***	-0.014***	-0.026***	0.002	0.010***	0.009***
	(0.001)	(0.002)	(0.002)	(0.001)	(0.002)	(0.002)
β^{US}	0.003	-0.002	-0.005	0.006***	0.001	0.004
	(0.002)	(0.003)	(0.004)	(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)
Past one-month return	0.005**	0.012***	0.018***	0.006***	0.013***	0.020***
	(0.002)	(0.004)	(0.005)	(0.002)	(0.004)	(0.005)
Constant	0.035	-0.057	-0.004	-0.143***	-0.383***	-0.515***
	(0.052)	(0.089)	(0.109)	(0.054)	(0.091)	(0.112)
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 regression includes the number of shares held by QDII funds relative to total number of share outstanding, $w_{i,t-1}^{\text{China}}$, as well as its interactions with Chinese monetary policy shocks, U.S. monetary policy shocks, daily changes in the log VIX index, and daily changes in the log commodity price index. Firm-level controls include firm size, market beta, turnover, and the previous month's 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 A21 DIFFERENTIAL RESPONSE BETWEEN EQUITY AND HYBRID FUNDS

	Fund flow	$\frac{\Delta \text{Stock}_t}{\text{TNA}_{t-1}}$	$\frac{\Delta \text{Bond}_t}{\text{TNA}_{t-1}}$	$\frac{\Delta \text{Cash}_t}{\text{TNA}_{t-1}}$	$\frac{\Delta \text{Other Asset}_t}{\text{TNA}_{t-1}}$
	(1)	(2)	(3)	(4)	(5)
$1_{\text{Hybrid}} \times \text{MPS}_t^{\text{China}}$	-0.005	-2.174	0.034*	1.005	0.314
	(0.044)	(2.761)	(0.018)	(0.763)	(0.645)
$\text{MPS}_t^{\text{China}}$	-0.108***	-6.127***	-0.012	-1.991***	-0.858
	(0.033)	(2.111)	(0.008)	(0.511)	(0.558)
MPS_t^{US}	-0.029***	-3.937***	0.030	-0.155	-0.330**
	(0.009)	(0.686)	(0.036)	(0.275)	(0.127)
$\Delta \log \text{VIX}_t$	-0.000	-14.469***	-0.012	1.330*	-1.356***
	(0.018)	(1.350)	(0.028)	(0.675)	(0.505)
$\Delta \log \text{Price}_t^{\text{Commodity}}$	0.174**	17.880***	0.028	0.996	0.783
	(0.077)	(4.803)	(0.084)	(1.796)	(0.963)
Fund Return_{t-1}	0.004***	0.276***	-0.001	0.149***	-0.002
	(0.001)	(0.079)	(0.001)	(0.025)	(0.023)
Fund Flow_{t-1}	-0.011	-0.849	0.001	-0.262	-0.063
	(0.008)	(0.584)	(0.003)	(0.183)	(0.139)
Constant	0.027***	2.815***	0.007**	0.325***	0.047*
	(0.001)	(0.096)	(0.003)	(0.043)	(0.025)
Fixed Effect	Fund			Fund	
Fund Number	99	99	99	99	99
Observations	2414	2414	2414	2414	2414
R^2	0.087	0.083	-0.003	0.016	-0.005

NOTE. This table examines the differential responses of equity and hybrid funds. The dependent variable in column (1) is quarterly fund flows constructed as in equation (3) for all active equity and hybrid funds. The dependent variables in columns (2) through (5) are the quarterly changes in portfolio values of each asset class, such as stocks, bonds, cash, and other assets, relative to total net assets in the previous period, for all active equity and hybrid funds. The main regressors are Chinese monetary policy shocks and their interaction with a dummy variable equal to one for hybrid funds. Control variables include U.S. monetary policy shocks, changes in the log VIX index, changes in log commodity prices, past mutual fund returns, and past fund flows. The regression includes fund fixed effects. Standard errors are clustered at the fund level and reported in parentheses. *, ** and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Table A22 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.