



Do Bubbles exist in Chinese Share Markets?

Tsangyao Chang,^a Yifei Cai^b

a. Department of Finance, Feng Chia University, Taichung, TAIWAN

b. School of Economics, Northeast Normal University, Changchun, China,

A B S T R A C T

In this paper, we apply a recursive unit root test to investigate whether there are multiple bubbles in two Chinese share markets – Shanghai and Shenzhen. The method is best suited for a practical implementation with a time series and delivers a consistent date-stamping strategy for the origination and termination of multiple bubbles. Empirical results indicate that there existed six bubbles during 1990s – 2016s, when the stock price deviated from its intrinsic value based on market fundamentals. Specifically, the stock price contains the fundamentals and bubble components. The dates of the bubbles corresponded to specific events in the politics and financial markets. These findings have important economic and policy implications to recognize the cause of bubbles and take corresponding measures to reduce the impact on the real economy cause of the fluctuation of stock price.

©2016 IRABF All rights reserved.

Keywords: Stock Price Bubbles; Generalized sup ADF; Speculation; Anticipation

JEL classification: G10 G12 Q40
