



## **Impact of Nontradable Share Reform of the A-share Market on China-Related Stock Markets**

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**Abstract:** This study explores whether the nontradable share reform of the A-share market in recent years simultaneously improved market liquidity, market quality, correlations and return volatilities, and price adjustments related to returning equilibrium to some, all or only one of the A-, B-, H-share and red chip markets at the expense of others given the possible simultaneous benefit to these markets. Our study found that the reform of the A-share market improved the liquidity of the A-share and red-chip markets. The first stage of the reform also significantly improved the return volatilities of the H-share and red-chip markets. Transaction costs related to the H-share market and the price gap of the A- and B-share markets improved after the second stage of the reform. Thereafter, most correlations between any two markets significantly increased, the cross-market influence between most markets significantly increased, and the cross-market influence of the spillover effect from the A-share market to the H-share market significantly increased. Finally, after the first stage of the reform, the effect of price discovery on the A-share Shanghai market was larger than that on the B-share Shanghai market, and the effect on the A-share Shenzhen market was larger than that on the H-share and red chip markets. This study provides a helpful reference for investors in the Chinese and Hong Kong stock markets.

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