

Correction list for “Three essays examine the market efficiency in Chinese financial markets”

Chapter 1

**1. What is the Title of your thesis?**

Now it is “Three essays examine the market efficiency in Chinese financial markets”

**2. Re-write your abstract, it is only a short summary in current version.**

Correction: attempt has been made to become a brief version of chapter 1.

**3. Please address how these 3 empirical chapters are related.**

Correction: detail on page 5-8

**4. Again, introduction should NOT a simple summary of each of your 3 empirical chapters, please re-write, and clearly include**

**a) Motivation: failed**

correction: attempted. Details on page 5-8

**b) summary of literature: failed**

correction: attempted. Details on page 5-8

**c) Why you choose this market: failed**

correction: attempted. Details on page 5-8

**d) why you choose these 3 empirical chapters and relations:**

correction: attempted. Details on page 5-8

**e) contribution (theoretical + practical):**

correction: modified on page 9-10

**f) summary of empirical results:**

correction: modified on page 9-10

**5. Each chapter should start with a new page.**

Agree. Modified accordingly

## Chapter2

1. *Literature review should not simply list several papers, you should discuss relations and literature development (in area of GovtSubsidy).*

Correction: attempted, subsidy related value relevance study in Chinese context is partially rewritten on page 25 -27

2. *Clearly state your contribution to subsidy literatures.*

Correction: Second, we show only for POEs, value relevance of subsidy is higher in healthy financial status than that in financial distress status, CSOE exhibit high level of value relevance in financially distressed condition. This finding contributes to the existing literature by narrow down the applicable scope to POEs alone, as Lee et al (2014 argue value relevance is always higher in firms with healthy financial status. Details On Page14-15.

3. *This is NOT a correct form of hypothesis development.*

Correction: hypothesis development has been partially rewritten.

4. *Equation 2-4, this is only an intrinsic valuation model, not market value, please correct.*

Correction: methodology now taking abnormal return as dependent variable. Details are Page 37-39.

5. *When empirical test Govt Subsidy and Value, Value should include (this is your baseline results): Market value (CAR-abnormal return, buy and hold abnormal return, calendar time abnormal return).*

Correction: now abnormal return is the proxy of market value item in the post of dependent variable. Details are on page 37

6. *Accounting performance (ROA, ROE, all these should be industry adjusted, and consider  $\Delta ROA$ ,  $\Delta ROE$ , other proxy can also be considered).*

Correction: these performance measurements now are all on the right-hand side of the regression. Details are on Page 38-39

7. *Very un-clear data description, how many firms? Where they come from?.*

Correction: the data section is rewritten. Details are on Page 35- 37. Meanwhile, each regression result table are now reporting the number of firms. Details on Page: 46- 50.

**8. *Price cannot be your DV in Table 2.1.***

Correction: yes. It has been replaced by abnormal return-based model evaluate the continuous impact during period of time of some event rather than price. Details on Page 37.

**9. *Why ROE set as 6%? Robustness Test?***

Correction: As CSRC set it as the minimum standard for firms to offer right in 1999 from 10% in 1996, this is why I later take 3 intervals of three-year average ROE value to test, the one with below 6% is test first, and those between 6 to 10 % and above 10% are taken as robustness check. Details are on Page 32

**10. *. Not a right way to test your hypotheses.***

Correction: test method has changed to panel data with instrument variable with inclusion of year and industry fixed effect. Details on Page 38-39.

**11. *The author did not explain why subsidy affect firm value, please add mechanism of value increase/ decrease (this is important).***

Agree: I failed to write my own version of the mechanism. Therefore, I paraphrased what Lee et al. (2014) find in their research, they find subsidies are value relevant on average, and investors view receiving subsidies as an act of beneficial sign to the value of the listed firm.

**12. *Address endogeneity.***

Correction: subsidy-based instrument variable, industry and year fixed effect is taken when running regression. Details on Page 38-39.

**Chapter 3:**

**1. *State clearly that in the night-trade period, the data includes both day-time and night trade information.***

Correction: data session has been rewritten. Details on page 67-68.

**2. *To make the reader have a better understanding the commodity market, the author need to add some descriptive statistics relating to price, return, volume information for testing commodities in the two subsample period, i.e. before and after the introduction of the night trade.***

Correction: new sample descriptive statistics is provided on page 75-76.

- 3. The paper calculates three liquidity measurements, however, they have different results. The task of the paper is to find the relationship between liquidity and efficiency, not to assess the different liquidity measurements. The author can focus on one or two measurement and make the results easier to understand.*

Correction: Amihud illiquidity is only liquidity measurement now. details on Page 68.

- 4. The way to present the tables must be improved.*

Correction: all the tables are recreated. Tables with less information are left in the main body of the chapter, the rest of them are moved to appendix.

- 5. Please add VECM, and examine the relation of spot and future price.*

Yes, their results are reported in table 3.17 and 3.18 in appendix on page 150-151.

- 6. add cointegration test.*

Yes. test results are reported in table 3.14 3.15 3.16 and 3.17 on page 146 -149.

#### **Chapter 4:**

- 1. So far the paper shows little contribution in chapter 4. The work in this chapter is just applying the well-known herding model in the literature on the commodity markets, and ended with the results, just as an econometric class exercises. The author need to show very clearly what is the contribution of the work, the importance of the work and what's the new insight we can get from his analysis. The current model-data application is far away from the PhD thesis requirement.*

Agree. Analysis regarding irrational and rational herding in Chinese commodity market has been conducted. Their results are reported on page 161-190.

- 2. Please add the irrational herding behavior test.*

Yes. It has been done. Results are reported in on page 161-190.

- 3. 3. The table layout is too tedious. The author need to have the focus, for example, grouped results together, even run regressions together, instead of run the regression one-by-one, etc. Many results may be shown in the Appendix.*

Agree. I failed to run regression together, but I managed to put lengthy table in the appendix.