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Time-Varying Seasonality in the Chinese Stock Market

In this paper we examine to what extent seasonal anomalies have been transformed over time in the Chinese stock market. We consider the Shanghai A-share market over the 1993-2002 period with both monthly and quarterly data. The use of unobserved component models enables us to extract the stochastic seasonal component in share prices. There is evidence of higher prices in May at the beginning of the period which transforms into a rising June effect since 1995. Similar results hold for second quarter prices. Possible explanatory factors of such an anomaly are studied, including interest rates, economic activity and bank lending. However, the non-seasonal component of such variables never crowds out the June effect in share prices.