

**Internet Appendix**

**for**

**Trading Imbalances and the Law of One Price**

**Version**

**17-Apr-2011**

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**Appendix A**  
**Constituents of the AH Premium Index as of 30-Apr-2009**

This table shows the 42 constituents of the AH Premium Index as of 30-Apr-2009. A-shares trade on Chinese (mainland) stock exchanges. H-shares trade on the Hong Kong Stock Exchange. Market Capitalization is in millions of US dollars. Industries are based on Global Industry Classification Standard (GICS) codes.

<b>Name</b>	<b>A Ticker</b>	<b>H Ticker</b>	<b>Mkt Cap</b>	<b>Industry</b>	<b>Inclusion Date</b>
Air China	601111	0753	3,611	Airlines	Aug-18-2006
Anhui Conch	600585	0914	8,784	Construction Materials	Jan-03-2006
Bank of China	601988	3988	31,116	Commercial Banks	Jul-05-2006
Bankcomm	601328	3328	34,094	Commercial Banks	May-15-2007
Beijing N Star	601588	0588	1,147	Real Estate Mgmt & Devel	Oct-16-2006
CCB	601939	0939	133,111	Commercial Banks	Oct-08-2007
CHALCO	601600	2600	8,833	Metals & Mining	Apr-30-2007
China Coal	601898	1898	5,781	Oil, Gas & Fuels	Mar-10-2008
China COSCO	601919	1919	5,954	Marine	Jun-26-2007
China East Air	600115	0670	537	Airlines	Mar-10-2008
China Life	601628	2628	30,776	Insurance	Jan-09-2007
China Oilfield	601808	2883	2,272	Energy Equip. & Services	Oct-08-2007
China Rail Cons	601186	1186	6,311	Construction & Engineering	Sep-08-2008
China Railway	601390	0390	6,770	Construction & Engineering	Mar-10-2008
China Shenhua	601088	1088	15,730	Oil, Gas & Fuels	Nov-05-2007
China Ship Dev	600026	1138	5,333	Marine	Jan-03-2006
China South Air	600029	1055	1,615	Airlines	Sep-10-2007
Chongqing Iron	601005	1053	401	Metals & Mining	Sep-10-2007
CITIC Bank	601998	0998	7,298	Commercial Banks	Sep-10-2007
CM Bank	600036	3968	32,930	Commercial Banks	Sep-22-2006
CSCCL	601866	2866	2,315	Marine	Jan-07-2008
CSR	601766	1766	2,880	Machinery	Mar-09-2009
Datang Power	601991	0991	6,205	Indep. Power Producers	Dec-20-2006
Dongfang Elec	600875	1072	3,200	Electrical Equipment	Jan-03-2006
Guangshen Rail	601333	0525	2,576	Road & Rail	Dec-22-2006
Guangzhou Pharm	600332	0874	786	Pharmaceuticals	Jan-03-2006
Guangzhou Ship	600685	0317	723	Machinery	Sep-10-2007
Huadian Power	600027	1071	1,407	Indep. Power Producers	Jan-03-2006
Huaneng Power	600011	0902	5,313	Indep. Power Producers	Jan-03-2006
ICBC	601398	1398	55,187	Commercial Banks	Oct-27-2006
Jiangsu Express	600377	0177	1,219	Transport. Infrastructure	Jan-03-2006
Jiangxi Copper	600362	0358	2,789	Metals & Mining	Jan-03-2006
Maanshan Iron	600808	0323	1,867	Metals & Mining	Jan-03-2006
PetroChina	601857	0857	24,898	Oil, Gas & Fuels	Dec-10-2007
Ping An	601318	2318	38,035	Insurance	Mar-01-2007
SH Electric	601727	2727	1,741	Electrical Equipment	Jan-05-2009
ShenzhenExpress	600548	0548	1,391	Transport. Infrastructure	Jan-03-2006
Sinopec Corp	600028	0386	30,807	Oil, Gas & Fuels	Jan-03-2006
Tianjin Capital	600874	1065	1,040	Comm. Services & Supplies	Jan-03-2006
Tsingtao Brew	600600	0168	2,347	Beverages	Jan-03-2006
Yanzhou Coal	600188	1171	2,524	Oil, Gas & Fuels	Jan-03-2006
Zijin Mining	601899	2899	11,254	Metals & Mining	May-05-2008

## **Appendix B**

### **Additional Notes on the AH Premium Index**

The Hang Seng Indexes Company Ltd. launched the AH Premium Index on 27-Jun-2007 but provides data going back to 03-Jan-2006. The index was comprised of 15 stock pairs in January 2006. The graph in Appendix D shows the number of constituents has risen steadily over time. There are now 42 stock pairs in the index.

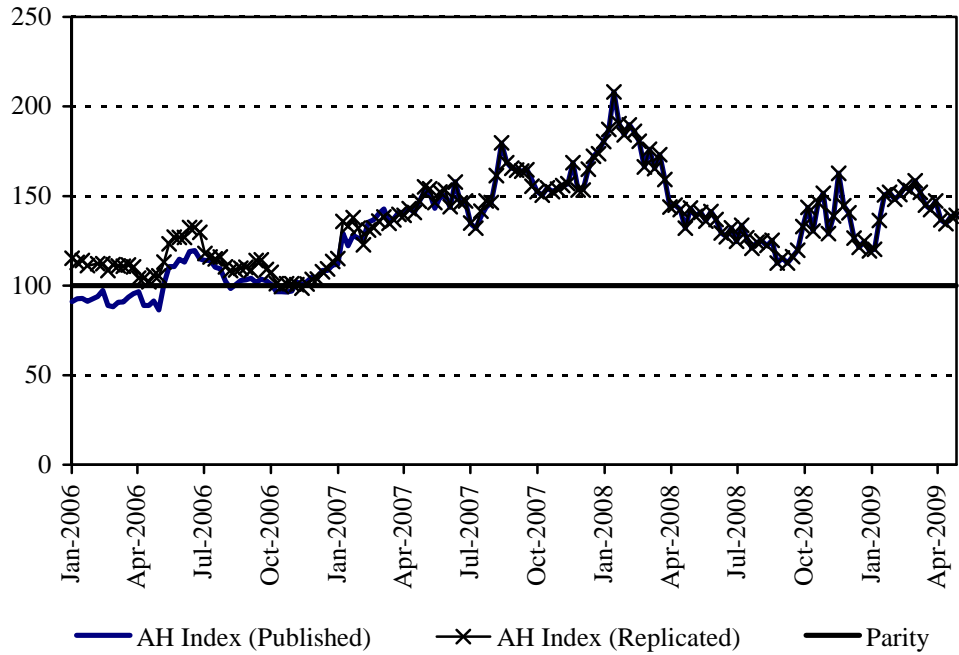
Since inception, and through 30-Apr-2009, only one company has been in the index and later dropped out. That company was Anhui Expressway which joined on 08-Apr-2008 and left on 09-Mar-2009. The transportation and infrastructure company's A-share ticker was 600012 and its H-share ticker was 0995. The market capitalization on 09-Mar-2009 was USD 549 million. When Anhui Expressway dropped out of the index, it was simultaneously replaced with CSR—a machinery company shown in Appendix A.

The A-shares are currently all listed on the Shanghai Stock Exchange. Up through 30-Apr-2009, the index did not contain any A-shares listed on the Shenzhen Stock Exchange.

To double check our understanding of the AH Premium Index, we carry out a replication exercise. We replicate the index using all information provided by Hang Seng Indexes Company Ltd. Before 27-Jun-2007, Hang Seng does not provide inclusion dates so we assume a stock joins on the latter of its A-share IPO date or its H-share IPO date. The index company has, however, provided us free-float adjustment factors. Appendix C plots the published index and our replicated index.

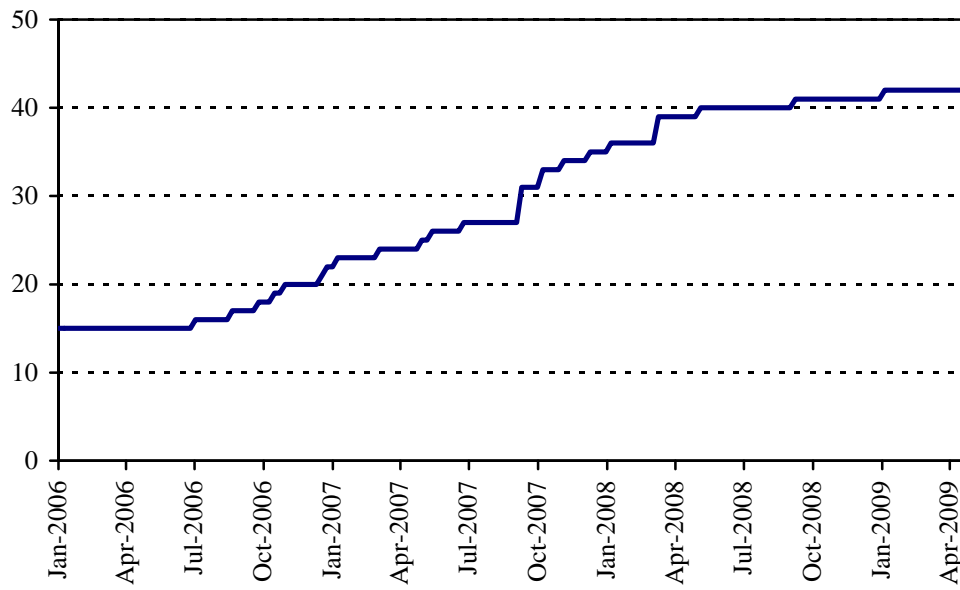
## Appendix C Replicating the AH Premium Index

This figure shows the AH Premium Index and our replication attempts. Replication errors in the early years come from estimating early inclusion dates. The index is published by Hang Seng Indexes Company Ltd. and shows the ratio of Chinese (mainland)-listed A-share prices to Hong Kong-listed H-share prices. An index value of 100 indicates A-shares are selling for the same price as H-shares. Details about constructing the index are given in the text. Data are weekly starting 03-Jan-2006 and ending 30-Apr-2009.



## Appendix D Number of Index Constituents

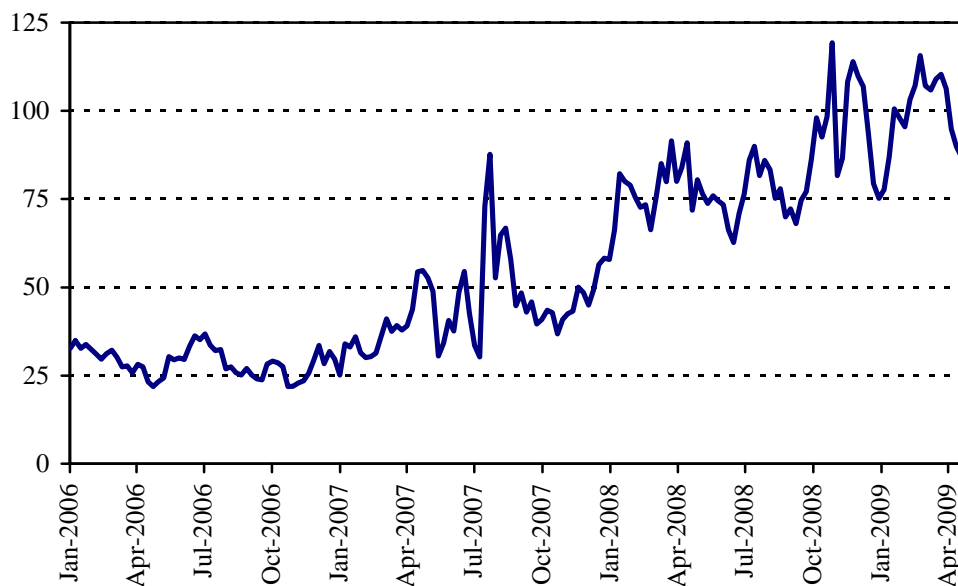
This figure shows the number of constituents (company stock pairs) in the AH Premium Index.



## Appendix E

### Cross-Sectional Variation of Stock-Level AH Premia

This figure shows the cross-sectional variation of stock-level AH premia. For each company in the index, we calculate its AH premium as the ratio of A-share to H-share prices (both prices are expressed in US dollars). Variation is defined as the cross-sectional standard deviation of these measures at a given point in time. Appendix D shows the number of companies in the index. Units are the same as those shown in Figure 1 in the main text and in Appendix C in this document.



## Appendix F Calculating Order Imbalances

**Step 1:** For each stock  $i$ , each day  $k$ , and each exchange  $X$ , we compute buyer-initiated volume and seller-initiated volume. The exchange variable  $X$  can take values “A” for Chinese (mainland) or “H” for Hong Kong.

$$Buy_{i,k}^X \quad Sell_{i,k}^X$$

**Step 2:** For each stock  $i$  and each day  $k$ , and each exchange  $X$ , we calculate order imbalance as the difference between buys and sells all normalized by listed shares. Each  $OIB$  is winsorized at its 0.5% and 99.5% levels.

$$OIB_{i,k}^X = \frac{Buy_{i,k}^X - Sell_{i,k}^X}{Shrs_{i,k}^X}$$

**Step 3:** For each day  $k$  and each exchange  $X$ , we calculate a value-weighted order imbalance measure. Weights are proportional to stock  $i$ 's market capitalization on day  $k-11$ .

$$OIB_k^X = \sum_i \omega_{i,k-11}^X OIB_{i,k}^X$$

**Step 4:** We standardize daily, exchange-level order imbalances by subtracting the average daily order imbalance over days  $k-11$  to  $k-70$  and dividing by the standard deviation of order imbalances over the same interval. The asterisk (\*) indicates a standardized variable.

$$OIB_k^{X*} = \frac{OIB_k^X - \text{mean}[OIB_{k-11:k-70}^X]}{\text{stdev}[OIB_{k-11:k-70}^X]}$$

**Step 5:** We calculate weekly, standardized, exchange-level order imbalances by summing over the days in week  $t$ :

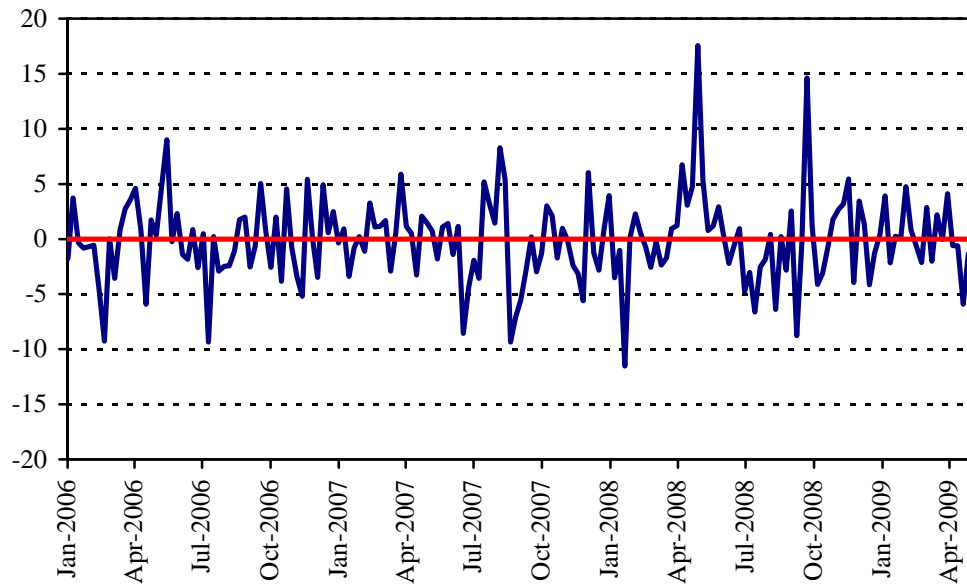
$$OIB_t^{X*} = \sum_{k \in \text{week } t} OIB_k^{X*}$$

**Step 6:** Finally, we compute the difference between week  $t$ 's order imbalances in the mainland (“A” shares) and week  $t$ 's order imbalances in Hong Kong (“H” shares):

$$OIB_t^{A-H} = OIB_t^{A*} - OIB_t^{H*}$$

## Appendix G Index-Level Order Imbalances

This figure shows the aggregate trading order imbalances. Data are weekly starting 03-Jan-2006 and ending 30-Apr-2009. The graph shows  $OIB_t^{A-H}$  which is the difference between A-share and H-share order imbalances. Details about constructing  $OIB_t^{A-H}$  are given in the text and Appendix F.



## Appendix H1 Overview Statistics

This table shows overview statistics of weekly, exchange-level variables from 03-Jan-2006 to 30-Apr-2009. Panel A shows the AH Premium Index as published by Hang Seng Indexes Company Ltd. Information about the index is available at: <http://www.hsi.com.hk/HSI-Net/HSI-Net>. Panel B shows the log change in the weekly values of index stocks based on Chinese mainland A-share prices ( $\Delta P_t^A$ ) and based on Hong-Kong H-share prices ( $\Delta P_t^H$ ). We also show the log change in the weekly value of the index ( $\Delta AH Index_t$ ). Panel C shows order imbalances associated with the Chinese (mainland)-listed A-shares in the index ( $OIB_t^A$ ) and the Hong Kong-listed H-shares in the index ( $OIB_t^H$ ). We also show statistics associate with trading imbalance differences ( $OIB_t^{A-H}$ ).

### Panel A: AH Premium Index

	<b>Avg</b>	<b>Stdev</b>	<b>10%</b>	<b>Median</b>	<b>90%</b>	<b># wks</b>
<i>AH Index<sub>t</sub></i>	132.74	26.23	96.60	135.55	165.38	173

### Panel B: Price Changes

	<b>Avg</b>	<b>Stdev</b>	<b>Skew</b>	<b>Kurt</b>	<b>10%</b>	<b>Median</b>	<b>90%</b>	<b># wks</b>
$\Delta P_t^A$	0.0057	0.0508	-0.3656	3.3043	-0.0562	0.0073	0.0642	172
$\Delta P_t^H$	0.0042	0.0612	-0.3719	4.5834	-0.0726	0.0105	0.0703	172
$\Delta AH Index_t$	0.0025	0.0531	0.1208	3.6964	-0.0628	0.0043	0.0706	172

### Panel C: Order Imbalances

	<b>Average</b>	<b>Stdev</b>	<b>Skew</b>	<b>Kurt</b>	<b>10%</b>	<b>Median</b>	<b>90%</b>	<b># wks</b>
$OIB_t^A$	0.1044	2.8220	1.0206	7.9635	-2.9083	-0.1954	3.4108	173
$OIB_t^H$	0.1907	2.7279	0.8854	5.1245	-2.9060	0.0658	3.2864	173
$OIB_t^{A-H}$	-0.0863	3.8816	0.5065	6.0703	-4.1459	0.0804	4.6040	173

## Appendix H2 Autocorrelations

This table shows autocorrelations of exchange-level returns and order imbalances. We present variance ratio statistics for horizons of two to ten weeks. The third variable is the log change in the weekly value of the index ( $\Delta AH Index_t$ ). The sixth variable is the difference in trading imbalances across exchanges ( $OIB^{A-H}_t$ ). The variance ratio is based on unbiased estimates of variances. P-values are shown below and based on heteroskedasticity-consistent standard errors.

Variance Ratio Statistics (Horizon in Weeks)									
	2	3	4	5	6	7	8	9	10
$\Delta P^A$ ( <i>t-stat</i> )	1.01 (0.45)	1.07 (0.32)	1.18 (0.15)	1.22 (0.14)	1.29 (0.10)	1.34 (0.09)	1.38 (0.08)	1.44 (0.06)	1.53 (0.04)
$\Delta P^H$ ( <i>t-stat</i> )	0.93 (0.26)	0.89 (0.26)	0.86 (0.43)	0.98 (0.47)	1.04 (0.45)	1.06 (0.42)	1.04 (0.45)	1.02 (0.48)	1.03 (0.47)
$\Delta AH Index_t$ ( <i>p-value</i> )	0.90 (0.16)	0.82 (0.11)	0.87 (0.24)	0.88 (0.28)	0.87 (0.28)	0.86 (0.29)	0.82 (0.26)	0.81 (0.26)	0.81 (0.27)
$OIB^A$ ( <i>t-stat</i> )	1.26 (0.00)	1.44 (0.00)	1.60 (0.00)	1.69 (0.00)	1.75 (0.00)	1.80 (0.00)	1.80 (0.00)	1.81 (0.00)	1.80 (0.00)
$OIB^H$ ( <i>t-stat</i> )	1.14 (0.07)	1.26 (0.03)	1.32 (0.03)	1.40 (0.02)	1.48 (0.01)	1.43 (0.01)	1.56 (0.01)	1.60 (0.01)	1.63 (0.01)
$OIB_t^{A-H}$ ( <i>p-value</i> )	1.20 (0.01)	1.29 (0.01)	1.36 (0.01)	1.41 (0.01)	1.43 (0.02)	1.42 (0.03)	1.37 (0.05)	1.36 (0.07)	1.37 (0.08)

### Appendix H3 Expanded Correlations

This table expands results shown in Table 1 of the main paper. Below, we show correlation coefficients of exchange-level returns and order imbalances. Returns are log change of the indexes. P-values are shown in parentheses.

	$\Delta P_t^A$	$\Delta P_{t-1}^A$	$\Delta P_t^H$	$\Delta P_{t-1}^H$	$\Delta AH$ Index <sub>t</sub>	$\Delta AH$ Index <sub>t-1</sub>	$OIB_t^A$	$OIB_{t-1}^A$	$OIB_t^H$	$OIB_{t-1}^H$	$OIB_t^{A-H}$	$OIB_{t-1}^{A-H}$
$\Delta P_t^A$	1.000 ---											
$\Delta P_{t-1}^A$	0.001 (0.99)	1.000 ---										
$\Delta P_t^H$	0.595 (0.00)	-0.155 (0.04)	1.000 ---									
$\Delta P_{t-1}^H$	0.145 (0.06)	0.595 (0.00)	-0.080 (0.30)	1.000 ---								
$\Delta AH$ Index <sub>t</sub>	0.253 (0.00)	0.168 (0.03)	-0.569 (0.00)	0.215 (0.00)	1.000 ---							
$\Delta AH$ Index <sub>t-1</sub>	-0.174 (0.02)	0.253 (0.00)	-0.073 (0.34)	-0.569 (0.00)	-0.106 (0.17)	1.000 ---						
$OIB_t^A$	0.605 (0.00)	-0.009 (0.91)	0.340 (0.00)	0.139 (0.07)	0.233 (0.00)	-0.149 (0.05)	1.000 ---					
$OIB_{t-1}^A$	0.043 (0.58)	0.605 (0.00)	-0.065 (0.39)	0.340 (0.00)	0.106 (0.17)	0.233 (0.00)	0.249 (0.00)	1.000 ---				
$OIB_t^H$	0.068 (0.38)	0.030 (0.70)	0.309 (0.00)	-0.022 (0.78)	-0.282 (0.00)	0.036 (0.64)	0.022 (0.77)	-0.060 (0.44)	1.000 ---			
$OIB_{t-1}^H$	-0.053 (0.49)	0.068 (0.38)	-0.104 (0.17)	0.309 (0.00)	0.028 (0.72)	-0.282 (0.00)	0.075 (0.33)	0.022 (0.77)	0.116 (0.13)	1.000 ---		
$OIB_t^{A-H}$	0.392 (0.00)	-0.027 (0.72)	0.031 (0.69)	0.116 (0.13)	0.367 (0.00)	-0.134 (0.08)	0.712 (0.00)	0.222 (0.00)	-0.687 (0.00)	-0.027 (0.73)	1.000 ---	
$OIB_{t-1}^{A-H}$	0.069 (0.37)	0.372 (0.00)	0.026 (0.74)	0.031 (0.69)	0.058 (0.45)	0.367 (0.00)	0.128 (0.10)	0.711 (0.00)	-0.125 (0.10)	-0.687 (0.00)	0.180 (0.02)	1.000 ---

## Appendix H4 Overview Statistics – Daily

This table shows daily results. Panels A, B, and C are comparable to Internet Appendix H1.

### Panel A: AH Premium Index

	<b>Avg</b>	<b>Stdev</b>	<b>10%</b>	<b>Median</b>	<b>90%</b>	<b># days</b>
<i>AH Index<sub>t</sub></i>	132.45	26.11	96.25	134.42	166.15	780

### Panel B: Price Changes

	<b>Avg</b>	<b>Stdev</b>	<b>Skew</b>	<b>Kurt</b>	<b>10%</b>	<b>Median</b>	<b>90%</b>	<b># days</b>
$\Delta P_t^A$	0.0013	0.0256	0.1489	5.4642	-0.0289	0.0016	0.0297	779
$\Delta P_t^H$	0.0011	0.0307	0.4582	9.6920	-0.0328	0.0022	0.0317	779
$\Delta AH Index_t$	0.0005	0.0264	-0.2340	4.5861	-0.0323	0.0009	0.0316	779

### Panel C: Order Imbalances

	<b>Average</b>	<b>Stdev</b>	<b>Skew</b>	<b>Kurt</b>	<b>10%</b>	<b>Median</b>	<b>90%</b>	<b># days</b>
$OIB_t^A$	0.0225	1.1569	1.1765	7.1901	-1.2333	-0.1042	1.3650	779
$OIB_t^H$	0.0442	1.1013	0.5163	4.6784	-1.2364	-0.0426	1.4461	779
$OIB_t^{A-H}$	-0.0216	1.4722	0.8131	7.7679	-1.7655	-0.0488	1.6840	779

## Appendix H5 Autocorrelations and Correlations – Daily

This table shows daily results. Panel A is comparable to rows three and six of Internet Appendix H2. Panel B is comparable to Table 1 in the main paper.

**Panel A: Variance Ratio Statistics (Horizons in Weeks)**

	2	3	4	5	6	7	8	9	10
$\Delta AH Index_t$	0.95	0.92	0.91	0.90	0.91	0.90	0.88	0.86	0.85
<i>(p-value)</i>	<i>(0.13)</i>	<i>(0.12)</i>	<i>(0.13)</i>	<i>(0.15)</i>	<i>(0.21)</i>	<i>(0.21)</i>	<i>(0.18)</i>	<i>(0.16)</i>	<i>(0.16)</i>
$OIB_t^{A-H}$	1.16	1.30	1.41	1.53	1.64	1.70	1.76	1.79	1.83
<i>(p-value)</i>	<i>(0.00)</i>	<i>(0.00)</i>	<i>(0.00)</i>	<i>(0.00)</i>	<i>(0.00)</i>	<i>(0.00)</i>	<i>(0.00)</i>	<i>(0.00)</i>	<i>(0.00)</i>

**Panel B: Correlations**

	$\Delta AH Index_t$	$\Delta AH Index_{t-1}$	$OIB_t^{A-H}$	$OIB_{t-1}^{A-H}$
$\Delta AH Index_t$	1.000			
<i>(p-value)</i>	----			
$\Delta AH Index_{t-1}$	-0.052	1.000		
<i>(p-value)</i>	<i>(0.15)</i>	----		
$OIB_t^{A-H}$	0.382	-0.063	1.000	
<i>(p-value)</i>	<i>(0.00)</i>	<i>(0.08)</i>	----	
$OIB_{t-1}^{A-H}$	0.022	0.382	0.153	1.000
<i>(p-value)</i>	<i>(0.55)</i>	<i>(0.00)</i>	<i>(0.00)</i>	----

## Appendix H6 Regression Analysis – Daily

This table shows daily results. Comparable to Table 2 in the main paper.

$$\Delta AH Index_t = \alpha + \beta_1 OIB_t^{A-H} + \beta_2 OIB_{t-1}^{A-H} + \beta_3 \Delta AH Index_{t-1} + \varepsilon_t$$

Coef	Units	Reg1	Reg2	Reg3	Reg4	Reg5	Reg6
$OIB_t^{A-H}$ ( <i>t-stat</i> )	×10,000	68.381 (7.76)			69.338 (7.54)		68.999 (7.31)
$OIB_{t-1}^{A-H}$ ( <i>t-stat</i> )	×10,000		3.845 (0.55)		-6.731 (-1.02)	8.624 (1.14)	-5.637 (-0.76)
$\Delta AH Index_{t-1}$ ( <i>t-stat</i> )	×1			-0.052 (-1.34)		-0.070 (-1.63)	-0.015 (-0.38)
Const ( <i>t-stat</i> )	×1	0.0006 (0.75)	0.0005 (0.58)	0.0005 (0.58)	0.0006 (0.75)	0.0006 (0.61)	0.0006 (0.75)
Obs (# Days)		779	778	778	778	778	778
$R^2$		0.15	0.00	0.00	0.15	0.00	0.15

## Appendix H7 Stock-Level AH Premia

This table shows the results from three regressions denoted Reg1 to Reg3. All variables are measured at the stock-level. The left-hand side variable is a stock's AH premium. Right-hand side variables include the natural log of a stock's market capitalization as of 30-Apr-2009.\* Other right-hand side variables include the standard deviation of A-share returns over our sample period, and the standard deviation of order imbalances in the Chinese mainland over our sample period. T-statistics are shown in parentheses and are based on robust standard errors.

$$AH\ Prem_i = \alpha + \beta_1 \ln(MV_i) + \beta_2 Std(r_i^A) + \beta_3 Std(OIB_i^A) + \varepsilon_i$$

**Panel A: Left-Hand Side Variable is a Stock's Average AH Premium Over the Sample Period**

Coef	Reg1	Reg2	Reg3
$\ln(MV_i)$ (t-stat)	-0.608 (-3.78)	-0.461 (-3.77)	-0.367 (-2.88)
$Std(r_{i,t}^A)$ (t-stat)		18.147 (3.88)	14.079 (2.98)
$Std(OIB_{i,t}^A)$ (t-stat)			28.926 (2.55)
Const (t-stat)	4.050 (6.17)	2.109 (3.62)	1.724 (2.76)
Obs (# Stk Pairs)	43	43	43
$R^2$	0.28	0.48	0.56

**Panel B: Left-Hand Side Variable is a Stock's AH Premium as of 30-Apr-2009\***

Coef	Reg1	Reg2	Reg3
$\ln(MV_i)$ (t-stat)	-0.917 (-4.98)	-0.747 (-4.62)	-0.678 (-3.94)
$Std(r_{i,t}^A)$ (t-stat)		20.944 (4.70)	17.979 (3.97)
$Std(OIB_{i,t}^A)$ (t-stat)			21.082 (1.78)
Const (t-stat)	5.354 (7.12)	3.114 (4.04)	2.833 (3.42)
Obs (# Stk Pairs)	43	43	43
$R^2$	0.40	0.56	0.59

\* Except for Anhui Expressway for which the value is as of 09-Mar-2009.

## Appendix H8

### Cross-Sectional Variation of Stock-Level AH Premia

This table shows the results from five regressions denoted Reg1 to Reg5. The left-hand side variable is the cross-sectional variation of stock-level AH premia as measured by the standard deviation and shown in Internet Appendix E. Right-hand side variables include a time trend, the number of stock pairs in the AH Premium Index for week  $t$ , the value of the AH Premium Index, and changes in the index. Data are weekly starting 03-Jan-2003 and ending 30-Apr-2009. T-statistics are shown in parentheses and are based on Newey-West standard errors with four lags.

$$Xsec\ Variation_t = \alpha + \beta_1(Time_t) + \beta_2(NumStkPairs_t) + \beta_3(AH\ Index_t) + \beta_4(\Delta AH\ Index_t) + \varepsilon_t$$

Coef	Reg1	Reg2	Reg3	Reg4	Reg5
<i>Time<sub>t</sub></i>	0.499				0.471
<i>(t-stat)</i>	<i>(15.37)</i>				<i>(2.66)</i>
<i>NumStkPairs<sub>t</sub></i>		2.415			0.147
<i>(t-stat)</i>		<i>(14.82)</i>			<i>(0.18)</i>
<i>AH Index<sub>t</sub></i>			0.545		-0.007
<i>(t-stat)</i>			<i>(5.28)</i>		<i>(-0.09)</i>
<i>ΔAH Index<sub>t</sub></i>				-12.867	
<i>(t-stat)</i>				<i>(-0.31)</i>	
<i>Const</i>	13.226	-14.310	-15.769	56.782	12.151
<i>(t-stat)</i>	<i>(4.05)</i>	<i>(-3.27)</i>	<i>(-1.24)</i>	<i>(12.51)</i>	<i>(1.09)</i>
Obs (# Wks)	173	173	173	173	173
$R^2$	0.83	0.80	0.27	0.00	0.83

## Appendix H9

### Panel Regression of Stock-Level AH Premia

This table shows the results from six panel regressions denoted Reg1 to Reg6. All variables are weekly and we include fixed effects in all regressions. Constant coefficients are not reported.  $\Delta AH Index_{i,t}$  is the log change of AH Premium Index.  $OIB^{A-H}_{i,t}$  is the difference in A-share and H-share order imbalances. T-statistics are based on Newey-West standard errors with four lags.

$$\Delta AH Index_{i,t} = \alpha_i + \beta_1 OIB^{A-H}_{i,t} + \beta_2 OIB^{A-H}_{i,t-1} + \beta_3 \Delta AH Index_{i,t-1} + \varepsilon_{i,t}$$

Coef	Units	Reg1	Reg2	Reg3	Reg4	Reg5	Reg6
$OIB^{A-H}_{i,t}$	×10,000	51.556			53.840		51.907
(t-stat)		(12.78)			(12.55)		(12.21)
$OIB^{A-H}_{i,t-1}$	×10,000		-0.655		-8.865	6.590	-2.278
(t-stat)			(-0.22)		(-2.71)	(2.18)	(-0.70)
$\Delta AH Index_{i,t-1}$	×1			-0.129		-0.140	-0.123
(t-stat)				(-8.65)		(-9.08)	(-8.11)
Notes		FE	FE	FE	FE	FE	FE
# Stk Pairs		43	43	43	43	43	43
Obs		4,905	4,889	4,965	4,856	4,850	4,817