

**Cross-Autocorrelation of Dual-Listed Stock Portfolio Returns:  
Evidence from the Chinese Stock Market**

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**ABSTRACT**

In this paper, we apply a GARCH model to examine the cross-autocorrelation pattern between daily returns of portfolios composed of dual-listed stocks in Chinese stock market, before and after China opened its once foreign-exclusive B-share market. A lead-lag relationship between the A-share and B-share portfolio returns is identified during our sample periods, with the A-share portfolio leading the B-share portfolio. Upon the opening of B-share market, a change from underreaction to overreaction is found in the response pattern of B-share market, producing a rarely seen negative cross-autocorrelation. The results of two additional tests are reported. First, by decomposing the portfolio return into portfolio-specific and market-wide returns, we find that the market-wide information contained in A-share portfolio return is strongly associated with the cross-autocorrelation structure. Second, we document a directional asymmetry in which B-share portfolio shows either slow or over response to bad, but not good, news of A-share portfolio. We conclude that information asymmetry alone is not enough to explain the lead-lag relationship, and investor behavior must be taken into consideration. [JEL G14, G18]

**Keywords:** Cross-Autocorrelation; Segmented Stock Markets; Dual-Listed Stocks; Market-Wide and Portfolio-Specific Information.