When a Few Weeks Matter: China's Interventions and the "National Team" Effect

Key Highlights:

- **State-backed stock purchases have become a routine feature in China** and Hong Kong equity markets, leaving a measurable footprint. With the **frequency of interventions on the rise**, we propose a framework to assess their overall impact.

- **The effect on equities is concentrated in China/Hong Kong and is consistent**. Around events, Chinese equities post an average excess returns of ~3.7%, whereas non-China/HK markets exhibit sub-1% moves.

- **Returns cluster in the event week** and plateau thereafter, consistent with coordinated buying.

- **Overall Chinese market returns are fragile: a small number of interventions explain a large share of multi-year gains**; State-directed buying has been unable to revert a multi-year bearish trend outside intervention windows.

tobam unbiased.

For Professional Investors. Past Performance is not indicative of future results.

The Chinese economy is one of the most remarkable developmental success-stories in economic history – transitioning, in a little over three decades, from one of the world's poorest nations to the world's second-largest economy. However, this extraordinary achievement in raising living standards and productivity has not reliably translated into commensurate returns for investors. The capital-market story is far more uneven. Since 1993, a buy-and-hold investor in broad Chinese equities would have seen their wealth shrink by more than 80% relative to a global equity portfolio. The past decade has been especially difficult. By 2021, China's real-estate sector entered bubble territory and has since been in sharp decline. Chinese equities have underperformed global equity indices and many other emerging markets over the past decade by a wide margin (≈ 5% per year). Aging demographics and unusually high saving rates are now rising policy concerns, yet Chinese authorities have so far struggled to foster a robust equity market that benefits savers and long-term investors.

Market participants have long suspected that Beijing influences equity prices through non-monetary means. During periods of stress, the playbook is familiar: state-directed purchases of exchange-traded funds by the so-called 'national team'[1], coupled with microstructure tweaks—tighter short-selling constraints, adjustments to margin financing, lower brokerage fees, and occasional stamp-duty changes. In sharp sell-offs these levers are typically pulled by the Chinese government in concert, alongside official calls to 'restore confidence'. For background, see the Financial Times (Feb 2024)[2] on the scale of national-team ETF buying.

Through a detailed event study, this note confirms suspicions of market manipulation by the Chinese authorities and asks: **How large—and how persistent—is the equity-market impact around such intervention episodes?**

To measure the aggregate market footprint of these manipulations, we compile 15 episodes[3] between 2020 and 2025 that financial media attribute to China's "national team" state purchases, policy-support announcements or short-selling ban. We anchor every episode at t=0 (the news day) and we measure cumulative excess returns in short windows around t=0 for the following indices: the BBG China Large & Mid Cap (a broad, free-float, market-cap-weighted composite spanning A-, H- and overseas listings), the Hang Seng China Enterprises Index (HSCEI, large mainland companies listed in Hong Kong), the CSI 300 (top onshore A-shares in Shanghai and Shenzhen), the Hang Seng Index (HSI, Hong Kong's flagship benchmark), and four liquid APAC peers —Bloomberg Taiwan, South Korea, Australia, and India Large & Mid Cap indices to test whether the effect is China-specific or just a broader macro move.

For each index, the event-excess return on day d is the realized return minus its own trailing 90-day average daily return, a proxy for the prevailing trend. Summing over a ±3 days[4] window gives the episode's **Cumulative Excess Return** (CER); averaging CERs across episodes yields the **Cumulative Average Excess Return** (CAER), i.e., the typical short-term returns effect per intervention.

As shown in Figure 1, the ranking is monotonic with policy proximity. Bloomberg China shows the largest average boost (≈ 3.7% CAER), HSI follow (≈ 2.7%), while non-China/HK markets register sub-1% moves. Because these are excess returns—net of each index's recent trend—the ordering reflects the incremental "return boost" concentrated in intervention weeks rather than background drift**.**
In brief: the footprint is strongest onshore, visible in Hong Kong, and faint elsewhere.

[1] The "national team" is market shorthand for state-linked investors—including Central Huijin, China Securities Finance and large state banks/brokerages—that are mobilised to buy equities/ETFs and stabilise trading during periods of stress.
[2] Financial Times, "China 'national team' ETF buying reaches $57bn this year, says UBS," Feb 2024
[3] See the event table for details of the selected events
[4] Results are qualitatively similar with a ±1-day/±5-day window

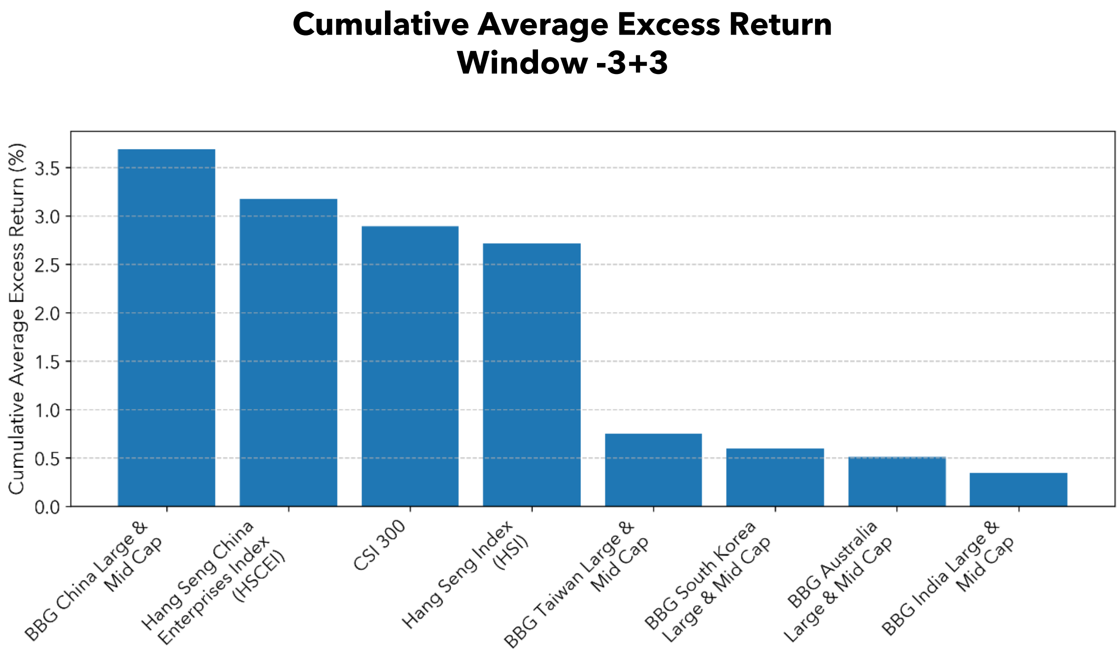

Figure 1 *The bar chart shows the Cumulative Average Excess Return (CAER) by index over the [-3,+3] window around the events.*

As shown in Figure 1, results are highly similar for indices within the same geographic area; to simplify the discussion, we therefore focus on three representative indices in what follows: the BBG China, the Hong Kong Index (*HSI*), and a pooled basket of non-China/HK markets ("*Other*")[5].

Figure 2 examines the full distribution of excess returns over the [-3, +3] trading-day window around intervention dates and compares it with a matched set of non-overlapping windows from ordinary periods with no reported support. The BBG China index displays a clear positive skew: the median excess return sits above zero and the upper tail is noticeably fatter than in normal times, signalling more frequent upside outliers when policy support is in play.

Hong Kong moves in the same direction but with less force. The HSI typically records a positive cumulative excess return consistent with cross-border signalling and ETF flow channels, yet its distribution is more symmetrical, implying a higher share of two-sided outcomes than BBG China Index.

Beyond China and Hong Kong, the pooled "Other" bucket barely budges, with a small positive central tendency and a tight spread that suggests limited global spillover from these episodes.

Taken together, the evidence indicates that during intervention weeks, price action in mainland equities—and, to a lesser extent, in Hong Kong—is not random noise but exhibits a systematic upward bias relative to each market's recent trend. Dispersion is also wider on event days, consistent with heterogeneity in the scale and composition of interventions: some episodes rely mainly on rule changes, others mobilise sizeable balance sheets.

Net result: we observe a systematic upward bias around interventions. **Put simply, authorities step in to artificially move prices, and they successfully do: the seven-day CAER is significantly positive in China & Hong Kong, consistent with episodic, managed support that concentrates returns into a few weeks.**

[5] an equal weight basket of the BBG Australia, India, South Korea and Taiwan L/M indices

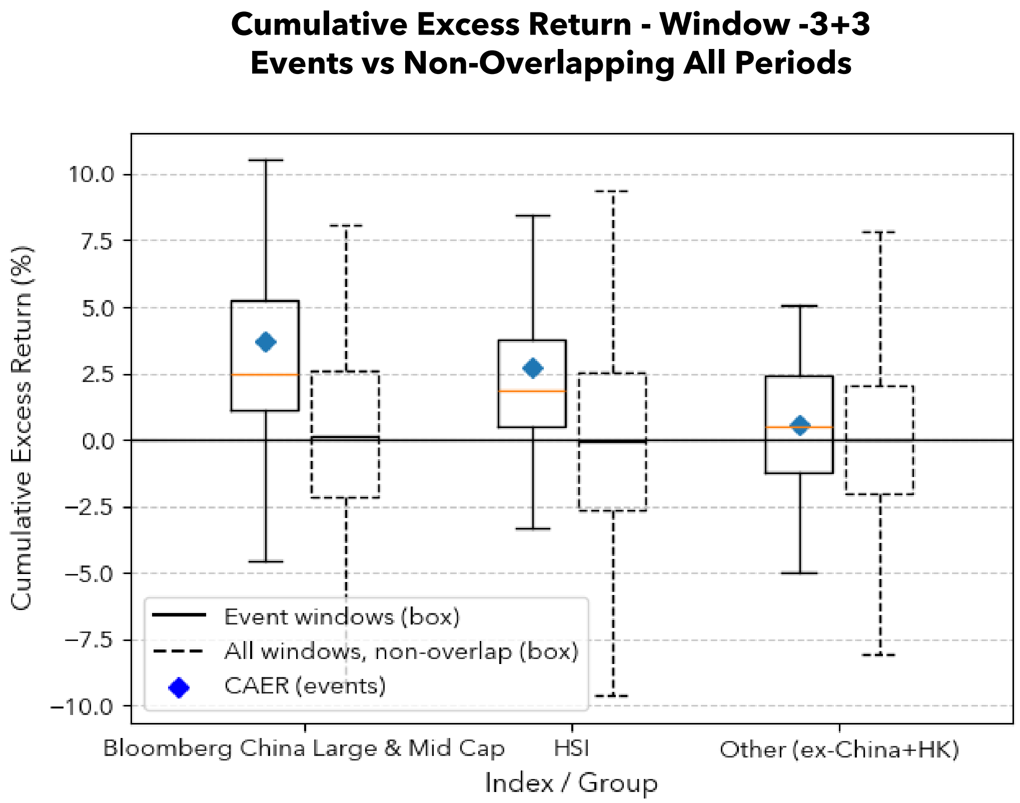

Figure 2 *Boxplots of cumulative excess returns over the [-3, +3] trading-day window by index/group. For each index, two boxplots are shown: a solid box for event windows (dated intervention weeks) and a dashed box for non-overlapping windows from the rest of the sample. The blue diamond plots CAER, the mean cumulative excess return across event windows. In each boxplot the bottom and top edges of the boxes represent the 25th and 75th percentiles of the sample data, respectively. The orange line positioned within each box represents the sample median The whiskers are lines that extend above and below each box, and cover about 95% of the data*

Turning from distributions to dynamics, the time path tells the same story. Figure 3 plots event-time NAVs for equal-weighted portfolios, each rebased to 100 on the announcement day (t=0) and averaged across the 15 episodes.

The China-plus-Hong Kong basket advances in steps, rising roughly 3.5 per cent over the following 10–15 trading days. **The upswing often begins just before t=0, reflecting that headlines and official buying are not recorded instantaneously, and some flows arrive as the news lands**. By contrast, the "Other"[6] portfolio rises only 1–2 per cent on average and occasionally gives back gains.

Two mechanisms are consistent with this pattern. First, a rapid flow impulse from state-linked ETF purchases or guidance to large institutions, followed by a drift as additional capital and sentiment follow. Second, a relief component, given that interventions typically arrive at stress. The pre-event NAV is on a downward slope, which strengthens the view that interventions add incremental performance above the background. In that sense, interventions behave like an implicit "policy put": support appears as conditions deteriorate and stabilizes prices once a soft threshold is crossed. We cannot pinpoint a hard floor or trigger level in the data, however, and identifying such thresholds is an open question for further research.

[6] See footnote 5

Event-time NAV – Equal-Weighted Portfolios

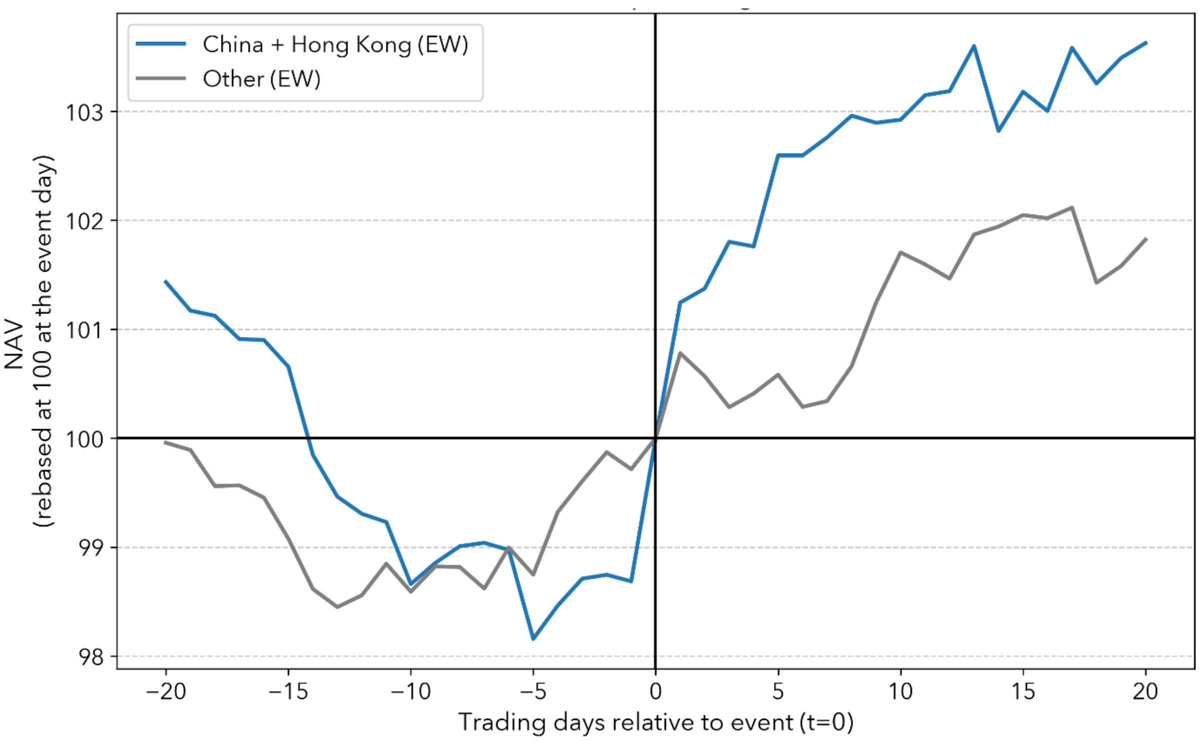

Figure 3 *Event-time NAV for two equal-weight (EW) groups. China + Hong Kong includes HSI, HSCEI, CSI 300, and BBG China. Other includes Australia, India, South Korea and Taiwan indices. Each group is rebased to 100 on the event day (t=0) and averaged across episodes. The x-axis reports trading days relative to the event from −20 to +20; the y-axis shows the NAV index (rebased to 100 at t=0).*

Building on the step-like pattern in Figure 3, the time aggregation shows how concentrated the effect really is. Figure 4 decomposes cumulative performance into returns earned inside the event window (blue) and those from all other days (orange), with blue stars marking dated episodes[7] and the lower panel recording how many occurred each year. For the BBG China L/MC Index, the blue line rises in discrete blocks that line up with the stars, indicating that over multi-year horizons a disproportionate share of total return comes from a handful of intervention weeks.

Most importantly, the orange line trends down, implying that outside the event windows returns were flat to negative—making the step-ups around interventions all the more consequential. The bar chart points to more episodes in 2023–2025 than earlier in the sample; whether by design or necessity, official support appears more frequent, and that frequency is now part of the market regime investors must integrate.

[7] See the event table for details of the selected events

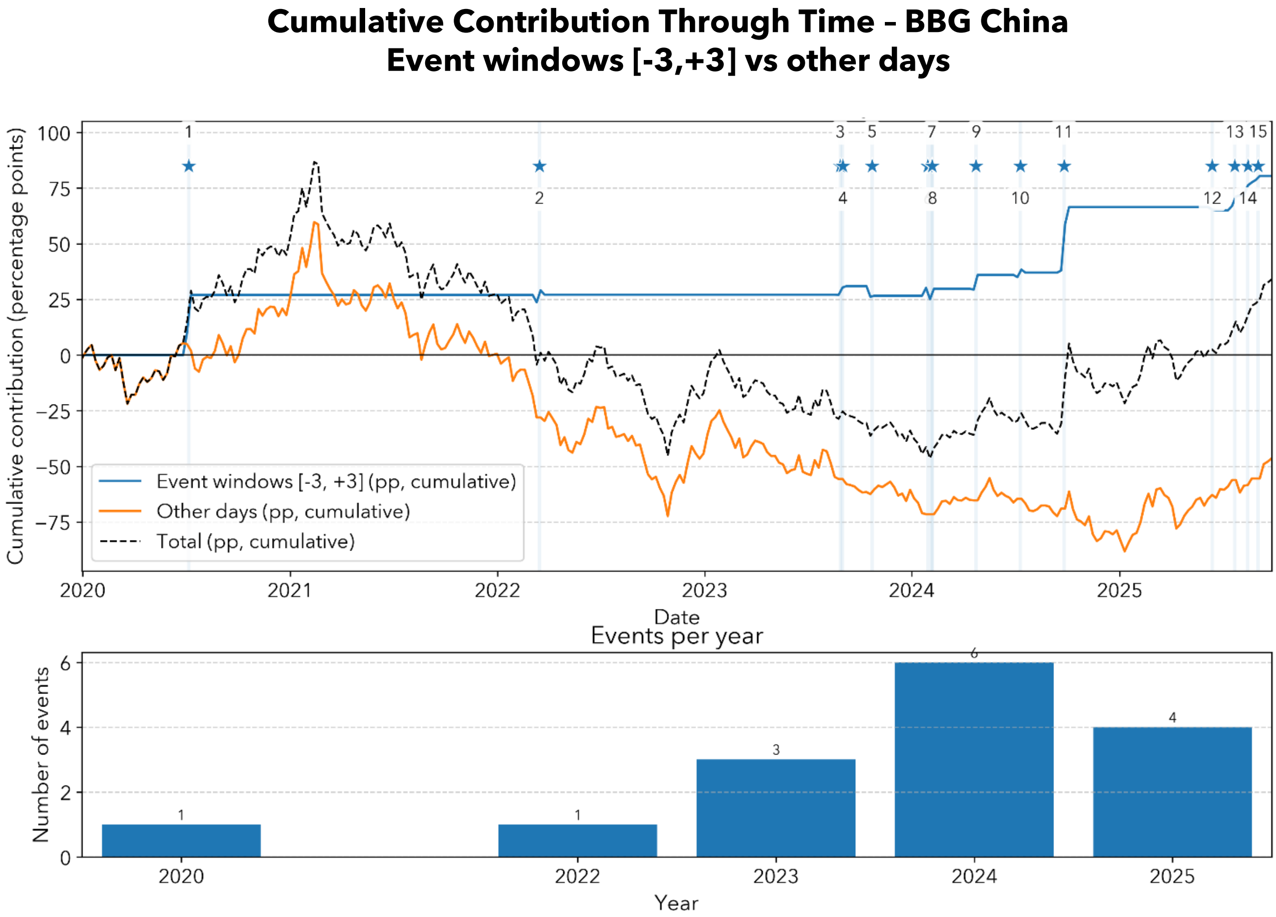

Figure 4 *Cumulative contribution through time for BBG China Index. The top panel decomposes performance into percentage-point contributions accumulated inside event windows (solid blue) and outside event windows (solid orange), with the total shown as a black dashed line. Event windows are defined as [-3, +3] trading days around each dated episode and are indicated by light blue shaded bands; blue stars with numbers mark the individual episodes. The y-axis is cumulative contribution. The bottom panel reports the number of events per year.*

Conclusion

In sum, the national team leaves a measurable, repeatable footprint. Around intervention weeks, onshore indices typically post gains of several percentage points in excess of recent trend, Hong Kong rises more modestly, and the rest of the world mostly looks through it. Over multi-year horizons, a handful of such weeks account for a disproportionate share of total returns. Since 2023, interventions have become more frequent, so investors should explicitly plan for such episodes in risk monitoring. Tactically, they are hard to capture: interventions land with little warning. Strategically, **China equity exposure is increasingly a wager on continued state support.** If you're not being paid a clearly higher risk premium for that policy risk, the most rational option is to cut direct exposure and avoid carrying unpriced downside.

Event table

Tag	Date	Description
1	2020-07-06	State media push for a "healthy bull market" spurred a sharp rally in Chinese stocks
2	2022-03-16	Vice-Premier Liu He pledges to keep markets stable and support the economy, triggering historic rebound
3	2023-08-28	China halves the stock-trading stamp duty to bolster market sentiment
4	2023-09-01	CSRC tightens scrutiny over programme trading with new rules on algorithmic trading
5	2023-10-23	Central Huijin announces ETF purchases and plans to keep increasing stakes
6	2024-01-28	CSRC fully suspends lending of restricted shares effective Jan 29 to stabilise markets
7	2024-02-05	State-backed "national team" of investors seen backstopping the market amid slump
8	2024-02-06	CSRC announces new curbs on short-selling and securities lending
9	2024-04-23	Central Huijin's Q1 ETF purchases estimated at about tens of billions of USD
10	2024-07-10	Short-selling tightened and securities re-lending suspended; exchanges told to regulate program trading
11	2024-09-25	Chinese stocks close sharply higher after Beijing affirms stimulus measures;
12	2025-06-13	CSRC releases Provisions on Program Trading in the Futures Market (Trial)
13	2025-07-23	Mainland capital via Southbound Stock Connect continues to surge
14	2025-08-15	Mainland Chinese traders buy a record of Hong Kong stocks via Stock Connect
15	2025-09-02	Outstanding margin financing hits an all-time high, surpassing 2015 peak

ABOUT TOBAM

TOBAM is an asset management company offering innovative capabilities designed to maximize the benefits of scientific research to build efficient investment exposures. TOBAM's expertise relies on 3 core pillars:

- TOBAM's Maximum Diversification® approach, supported by original, patented research and a mathematical definition of diversification, provides clients with diversified core exposure, in equity and fixed income markets.
- A research driven, *Solutions* division (TOBAMSolutions®), dedicated to building customized solutions and services to sophisticated institutional investors,
- A *LBRTY*® strategy range, which aims to help investors substantially mitigate their exposure to autocratic regimes in their portfolio.

In line with its mission statement and commitment to diversification, TOBAM also launched a satellite activity (BTOBAM) on cryptocurrencies in 2017.

TOBAM Maximum Diversification®, TOBAMSolutions®, TOBAM LBRTY® and BTOBAM illustrate TOBAM's systematic "out of box" dedication to sophisticated investors.

TOBAM manages USD 2 billion (as of 31 December 2024). Its team includes 31 finance professionals based in Paris, New York and Dublin.
For more information, please visit www.tobam.fr
or tobamdirect.com

CONTACTS

- Paris
  24-26, Avenue des Champs-Elysées,
  75008 Paris, France
- Dublin
- New York

Client Service
clientservice@tobam.fr

DISCLAIMER

This material is solely for the attention of institutional, professional, qualified or sophisticated investors and distributors. It is not to be distributed to the general public, private customers or retail investors in any jurisdiction whatsoever. This document is intended only for the person to whom it has been delivered.

Funds and/or SICAV specific information may have been provided for information solely to illustrate TOBAM's expertise in the strategy. Funds or the SICAV that might be mentioned in this document may not be eligible for sale in some states or countries and they may not be suitable for all types of investors. In particular, TOBAM funds are not registered for sale in the US, and this document is not an offer for sale of funds to US persons (as such term is used in Regulation S promulgated under the 1933 Act). This material is provided for information purposes only and does not constitute a recommendation, solicitation, offer, advice or invitation to purchase or sell any fund, SICAV or sub-fund or to enter in any transaction and should in no case be interpreted as such, nor shall it or the fact of its distribution form the basis of, or be relied on in connection with, any contract for the same.

The information provided in this presentation relates to strategies managed by TOBAM, a French investment adviser registered with the U.S. Securities and Exchange Commission (SEC) under the U.S. Investment Advisers Act of 1940 and the Autorité des Marchés Financiers (AMF) and having its head office located at 24-26 Avenue des Champs-Elysées, 75008 Paris, France. TOBAM's Form ADV is available free of charge upon request.

Investment involves risk. All investors should seek the advice of their legal and/or tax counsel or their financial advisor prior to any investment decision in order to determine its suitability. The value and income produced by a strategy may be adversely affected by exchange rates, interest rates, or other factors so that an investor may get back less than he or she invested.

Past performance and simulations based on thereon are not indicative of future results nor are they reliable indicators of future performance. Any performance objective is solely intended to express an objective or target for a return on your investment and represents a forward-looking statement. It does not represent and should not be construed as a guarantee, promise or assurance of a specific return on your investment. Actual returns may differ materially from the performance objective, and there are no guarantees that you will achieve such returns. Back tests do not represent the results of an actual portfolio, and TOBAM does not guarantee the accuracy of supporting data. The constraints and fees applicable to an actual portfolio would affect results achieved.

This material, including back tests, is based on sources that TOBAM considers to be reliable as of the date shown, but TOBAM does not warrant the completeness or accuracy of any data, information, opinions or results. TOBAM has continued and will continue its research efforts amending the investment process from time to time accordingly. TOBAM reserves the right of revision or change without notice, of the universe, data, models, strategy and opinions. TOBAM accepts no liability whatsoever, whether direct or indirect, that may arise from the use of information contained in this material. TOBAM can in no way be held responsible for any decision or investment made on the basis of information contained in this material. The allocations and weightings, as well as the views, strategies, universes, data, models and opinions of the investment team, are as of the date shown and are subject to change.

This document and the information herein is disclosed to you on a confidential basis and shall not be reproduced, modified, translated or distributed without the express written permission of TOBAM or TOBAM NORTH AMERICA and to the extent that it is passed on, care must be taken to ensure that any reproduction is in a form which accurately reflects the information presented here. This information could be presented by TOBAM NORTH AMERICA, a wholly-owned subsidiary of the TOBAM group of companies that is authorized to present the investment strategies of TOBAM, subject to TOBAM's supervision, but is not authorized to provide investment advice.