

Who Is Smarter? Analysis of Block Trading in Chinese Stock Market

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We report the specific feature of the block trading in the Chinese stock market. There are discounts in the block trading contrast to the block trading premium in the United States, Japan and the majority stock markets in the world. We show that the discount is rational because the stock's performance after the block trading is negative. Profit taking actions and private information are possible explanations for the discount. The segmentation between regular stock market and block trading market is not supported. We show that the stock returns pre- and post- the block trading are related to the discount magnitude. Block trading discount can be regarded as an important signal about future stock's performance.

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