Corporate Actions and the Manipulation of Retail Investors:

The Case of Stock Splits in China

Abstract

Although China is now the second largest stock market in the world, in many ways, it is still an emerging market. The Chinese stock market is dominated by relatively unsophisticated retail investors, many of which have not graduated from high school. Short selling is substantially constrained in China, which increases the potential for unsavory actors to take corporate actions that artificially inflate stock prices at the expense of retail investors. By analyzing stock return and trading-level data, we find evidence consistent with manipulation around stocks.