# On IST Volatility in China [*]

Jincheng Zhang

April 2021

**Abstract**

Research has distinguished between embodied and IST shocks. I find that DT and IST volatility have different effect on stock prices in Chinese markets. IST volatility, interestingly, increases stock prices. This new finding is consistent with an equilibrium model with two sectors.

[*]My email: (jinchengzha@gmail.com), Xining

# 1  Introduction

Can IST volatility behave differently than TFP that is neutral? In the US, Segal (2019) documents distinct effects between the two. I replicate similar evidence in China, finding that IST volatility increases stock prices. This finding also related to good uncertainty as in Segal, Shaliastovich, and Yaron (2015). Specifically, a once standard deviation in IST volatility increases prices by 0.2 standard deviations in a sample starting in 2000.

[Table 1 here]

1

## 2 Conclusion

IST volatility raises prices in Chinese markets.

## References

Segal, G., 2019. A tale of two volatilities: Sectoral uncertainty, growth, and asset prices. Journal of Financial Economics 134, 110–140.

Segal, G., Shaliastovich, I., Yaron, A., 2015. Good and bad uncertainty: Macroeconomic and financial market implications. Journal of Financial Economics 117, 369–397.