Review of Pacific Basin Financial Markets and Policies
Vol. 27, No. 1 (2024) 2450005 (47 pages)

DOI: 10.1142/S021909152450005X

Trade War Actions, Reporting Strategies, and Stock Market Reactions

Wenjia Zhang
Associate professor, School of International Economics,
China Foreign Affairs University,
No. 24, Zhanlan Road, Xicheng District, Beijing, 100037

Julan Du*
Department of Economics,
The Chinese University of Hong Kong, Room 926, Esther Lee Building
**Julan.du@foxmail.com*

Received 15 April 2023
Revised 7 November 2023
Accepted 14 November 2023
Published 25 April 2024

Investors' perceptions of uncertainty have increased since Donald Trump's inauguration, primarily as a result of trade frictions. In the context of China–US trade frictions, this study investigates the joint effects of the actions of the parties and media tone on the Chinese stock market. The trade friction reports are classified into 12 groups based on two dimensions, that is, the actions of the parties and the tone of the state-controlled media. The result shows that the role played by the state-controlled media depends on the actions taken by both the parties, as well as the type of firms. Specifically, when the US took action, either launched attacks or made concessions, adopting a high tone played some role in boosting returns and curbing fluctuations; adjusting reporting strategies also played some role in elevating the liquidity of both types of firms and influencing domestic southbound investments. Market reactions were more influenced by the actions than the official attitudes when China made concessions or when both sides took action (attacks or concessions).

Keywords: State-controlled media tone; China–US trade frictions; stock market reactions.

*Corresponding author.

1. Introduction

This study aims to investigate the joint effects of the actions of the parties and media tone on the Chinese stock market in the context of China–US trade frictions. Specifically, this study tends to examine the effects of media tone on the occurrence of different action strategies from both sides.

With the rapid development and the corresponding expansion of China's national interests since the beginning of the 21st century, the conflict between the rising and established powers is inevitable. Donald Trump publicly expressed his unfriendliness to China[1] and promised to designate China as a currency manipulator on his first day in office.[2] As reported by Navarro and Ross (2016), the Trump campaign's economic policy included a priority of "eliminating America's chronic trade deficit", particularly with China. Since the US implemented the first China-specific tariffs on July 6, 2018, these two countries have been embroiled in countless "back-and-forth negotiations, a tit-for-tat tariff war, introduced foreign technology restrictions, fought several WTO cases, consequently leading US–China trade tensions to the brink of a full-blown trade war".[3] So far, the US has slapped tariffs of US$550 billion worth on Chinese products. In response, China has imposed tariffs on US goods worth 185 billion dollars. Even after US President Joe Biden's taking office, he regarded China as a "strategic competitor" and called on allies to be prepared to "engage in long-term strategic competition with China" at the Munich Security Conference on February 20, 2021, and described China as "closing in fast".[4]

Quite a few financial studies have established that investor sentiment is influenced by media reports, particularly by their tone, and that this has a substantial impact on asset pricing and corporate financial decisions (Tetlock,

[1]Speaking on the *Piers Morgan Tonight* talk show in February 2011 about "What a President Trump would do to revive America's prosperity", in responding to Piers Morgan's questions about how to deal with the Chinese and whether they are Americans' friends, Donald Trump said, "I don't think they're friends. I think they're enemies ... We have very, very unfair trade. I call it unfair trade. I would tax them 25 percent. They would come to the table immediately." Refer to the CNN website (February 9, 2011), http://transcripts.cnn.com/TRANSCRIPTS/1102/09/pmt.01.html.

[2]Refer to the website of *Politico* (November 10, 2015), https://www.politico.com/story/2015/11/donald-trump-china-currency-manipulation-215679.

[3]The US–China Trade War: A Timeline (May 13, 2020), see https://www.china-briefing.com/news/the-us-china-trade-war-a-timeline/.

[4]Refer to "Biden's first 100 days: Have China-U.S. ties developed as expected?", by Duan Fengyuan, on 2021-04-29, https://news.cgtn.com/news/2021-04-29/Biden-s-first-100-days-Has-China-U-S-ties-developed-as-expected--ZQOwjGmhH2/index.html.

2007; Fang and Peress, 2009; Wang and Wang, 2023). China's propaganda system has a high degree of control over the press.[5] The state-controlled media monopolizes the discourse of politically sensitive events in China, and the contents and stances of media reports typically convey the governmental policy intention and orientation. Although traditional newspapers, such as *People's Daily*, are bound to have an impact on the stock market by providing timely information on the most recent events and direct government perspectives, their effects on the stock market have rarely been investigated. Investigating investors' reactions to media reports can, to a certain extent, show investors' attitude toward and their propensity to follow the policy orientation the government's propaganda system wishes to convey.

China–US relations, China's economic development prospects, China's overall relations with the West, and even the adjustment and restructuring of the international configuration are all significantly impacted by the trade war between China and the United States. China is confronted with significant challenges as a result of the trade war, and the government wishes to stabilize the economy and market expectations in light of the heightened uncertainty surrounding the trade war. They want to convey this message to the public through the media and convince them to stabilize their expectations. This study examines whether this goal could be achieved and whether the direction that the government intends to guide the public and investors, with its strategic deployment and coping strategies for the media, is close to the approach that investors interpret and predict the news. We examine whether the government's positive tone can stabilize market expectations and boost investor confidence in different situations by linking the impact of the trade war events on the Chinese economy to the tone of official media. It is also the primary intention of the propaganda department, as propaganda is used to inculcate and guide the public to accept an idea. Although studies have examined the impact of trade war events (e.g., Amiti *et al.*, 2020; Selmi *et al.*, 2020) and the impacts of media reporting strategies (e.g., Zhang and Du, 2022, 2023) on the stock market, none has analyzed the joint effects of reporting strategies and each country's actions. All these issues enhance our interest in this study.

This study adds to the body of knowledge by classifying the trade war situation in a more meticulous way based on the actions of both the parties. Since unilateral and bilateral actions usually have different political

[5]China ranks 173rd out of 179 on the world press freedom index, by Sasha Gayer - August 1, 2018, see http://wordsandimages.battleface.com/2018s-world-press-freedom-index/.

implications, we differentiate unilateral from bilateral actions and draw a distinction between US and Chinese actions. Under certain conditions, the use of a reporting strategy to artificially tone down or up the news was effective in improving the performance and liquidity of firms, but it was unsuccessful in attracting net cash flows into these firms. Investigations into big- and small-cap liquidity reveal that it was not influenced by the media reporting strategy but thwarted by some trade war actions. The influences on northbound and southbound capital[6] are also tested.

The rest of this study is organized as follows: The literature review is presented in Sec. 2; the methodological design and data are described in Sec. 3; the empirical results are reported and discussed in Sec. 4, and the conclusion in Sec. 5.

2. Literature Review

The impact of key events on the stock market and the US market has been the primary focus of studies on the recent US–China trade war. Amiti *et al.* (2020) estimate the impact of US–China tariff declarations on aggregate returns and differential returns of firms exposed to China and find that policy-induced stock-market declines imply lower returns to capital and lower investment rates. Selmi *et al.* (2020) examined the sectoral US stock market reactions to Chinese tariff threats on May 13, 2019, and found that the reactions of information technology, industrials, and energy were more severe than the reactions of financials, consumer discretionary items and staples, healthcare, real estate, aerospace and defense, and utilities. Huang *et al.* (2019) evaluated the market responses to Trump's proposed tariffs on Chinese imports on March 22, 2018, depending on firms' direct and indirect exposures to US–China trade. They find that firms in the United States that are more dependent on China's exports and imports have lower stock and bond returns but higher default risks in the short time window around the announcement date. Additionally, firms' responses to the announcement are influenced by their indirect exposure to US–China trade through domestic input–output linkages. Egger and Zhu (2020) measures the impact of the trade war by focusing on the stocks of listed companies in the context of tariff-change announcements or implementations by the US and China,

[6]Northbound capital flow refers to the capital from the south (Hong Kong) flowing into A-shares through the Hong Kong market via Shanghai–Hong Kong Stock Connect or Shenzhen–Hong Kong Stock Connect, also referred to as foreign capital. Southbound capital flow refers to the capital from the north (mainland of China) flowing into the Hong Kong market via Shanghai–Hong Kong Stock Connect or Shenzhen–Hong Kong Stock Connect.

and find that the related protectionist tariffs hurt domestic companies of a trading company country (in the United States even more than in China) and also third countries that are not involved in the "trade war" or "dispute".

Some evidence has been provided on the Chinese market. He *et al.* (2022) find that the impact of the US–China trade war across sectors differed significantly only when the US announced it would impose additional tariffs of $50 billion worth of Chinese products, while other events had no apparent impact on different industries. According to He *et al.* (2019), systematic financial risks rise before trade frictions and the banking sector is most resilient to external shocks, followed by the securities industry and the insurance industry. Furthermore, Goulard (2020) analyzes the consequences of the US–China trade war on the transactions between Europe and China and the possible diversion for the European market. China's stock market is referred to as a "policy market" because it is an emerging market. The government's policies have greatly influenced the stability of the stock market and the ideology of the investors. On the one hand, when the stock market is depressed and the stock price continues to fall, the government is supposed to take temporary policy measures to "prop up the market" out of the stagnant phenomenon; when excessive speculation occurs in the stock market, the government is supposed to take opposite policy measures to "suppress". On the other hand, it has been argued that China's policymaking process lacks transparency (e.g., Relly and Sabharwal, 2009; Zhang *et al.*, 2016, etc.). Investors often have to figure out the government's intentions and plans in a variety of ways.

According to our assessment, the market saw significant ups and downs as a result of the escalating trade friction. Without excluding the possibility of other factors, we anticipate that the trade war between China and the US is an important factor in driving the market fluctuations during Donald Trump's era. As an emerging economy, China is also confronted by a high degree of policy and political uncertainty during its transition to a market economy, especially during the trade war period. According to the Economic Policies Uncertainty Index developed by Baker *et al.* (2016), policy uncertainty in China reached a record-high annual average in 2019 (791.87) and remained high at 776.62 during the first five months of 2020.[7] We expect state-controlled media in China to reveal some central leadership intentions in China's authoritarian regime, and one of our objectives is to examine whether investors accept and agree with the message that the

[7]See http://www.policyuncertainty.com/china_monthly.html.

government wants to convey, that is, whether the purpose of official publicity to guide investors' confidence is realized.

The media is not only a carrier of information but also an indispensable force in changing investors' beliefs and emotions.[8] Although the media plays an essential role in the capital market as an information intermediary, evidence of its role is mainly limited to a particular type of media — the market-oriented media (media outlets controlled by private owners) (You *et al.*, 2018). Given that the majority of the world's population receives information from another type of media — the state-controlled media (media outlets controlled by the government) (Karlekar and Dunham, 2014), the question of how state-controlled media play a role in the capital market arises and is worth investigating. Moreover, China's media are essentially controlled by the party and the government, and coverage of politically sensitive events requires the use of wire copy or approved texts. Although some market-oriented reforms have been carried out in the media, and most media are no longer directly affiliated with the local party and government propaganda departments, they are still under the direct supervision of the publicity system. In the event of politically sensitive events, they need to adopt a unified draft (wire copy). They are essentially state-controlled. The official nature of Chinese media provides a good platform to investigate whether official publicity can guide investor sentiment, confidence, and willingness to invest.

A simple association between media activity and stock market activity (e.g., stock returns, volatility) may result from news shocks, which create an omitted variable bias (Peress, 2014). With the limited press freedom resulting from state-controlled media and self-censorship in China, China–US trade negotiations/frictions could be critical issues that influence investors' expectations and motivate their behaviors on the market.

While some researchers have investigated the market reactions to trade relations (Zhang, 2021; Zhang and Du, 2022; Mauck *et al.*, 2022), and quite some shreds of evidence have been provided on the media effects at the firm level (Tetlock, 2007; Fang and Peress, 2009; Ferguson *et al.*, 2015), no researcher has linked the trade war, especially the trade war actions, with firms' reactions. This paper aims to provide a holistic picture of how

[8] A number of researches have shown that media tone can have significant influences on public opinion/sentiment about economic fundamentals (Doms and Morin, 2004), gubernatorial elections (Clark and Makse, 2019), EU enlargement (DeVreese and Boomgaarden, 2006), and public awareness and recognition (Wang *et al.*, 2023) in different ways.

different types of firms, as well as the market, reacted when different actions were taken from both sides and different reporting strategies were adopted.

This study contributes to the body of literature by analyzing how the bilateral interactions during the China–US trade frictions influence the stock market and explain the sources and patterns of emotionally driven stock movements. This study also contributes to the literature that analyzes how the major events in trade frictions are defined and how the state-controlled news is measured and classified. We first classify the dates during the trade frictions into six categories based on the specific actions one side (or two sides) took and the news-releasing days are defined accordingly. Each group of days is split into two based on whether the news released is optimistic (tone above average) or pessimistic (tone below average), and these news-releasing days are therefore classified into 12 groups. In this way, this paper analyzes the impact of mainstream media's reporting strategies on the return, volatility and trading volume of the stock market under different trade frictions. Although scholars have studied the impact of major shocks on the stock market and how the stock market is affected by the tone of media coverage, no scholars have made the connection between the two aspects. This study contributes to the literature on analyzing the effectiveness of strategies adopted by traditional mainstream media in different situations. It is conducive to the regulatory authorities to formulate measures according to the situation to enhance the investor's confidence and is of great significance for effectively preventing and controlling financial risks and avoiding the spread of stock market risks to the real economy.

3. Data and Methodology

3.1. *Classification of news releasing days*

According to the important events that actually occurred[9] during the trade frictions, the key dates during the US–China trade war are divided into six categories: US attack, US concession, China attack, China concession, both sides attack, and both sides concession, as shown in Appendix A (Table A.1). The days following one trade friction event are categorized

[9]We take reference of several sources. "Timeline: Key dates in the U.S.-China trade war", see https://www.reuters.com/article/us-usa-trade-china-timeline/timeline-key-dates-in-the-us-china-trade-war-idUSKBN1WP23B; "The US-China Trade War: A Timeline", see https://www.china-briefing.com/news/the-us-china-trade-war-a-timeline/; "Trump's Trade War Timeline: An Up-to-Date Guide", see https://www.piie.com/blogs/trade-investment-policy-watch/trump-trade-war-china-date-guide.

into the same type until another new event updates the old one. Further, by dividing each of these six (action) groups into "high" and "low" subgroups based on whether the media tone is above or below its average, the event days of Chinese media releases are further divided into 12 groups: "U.S. Attack High" versus "U.S. Attack Low", "U.S. Concession High" versus "U.S. Concession Low", "China Attack High" versus "China Attack Low", "China Concession High" versus "China Concession Low", "Both Sides Attack High" versus "Both Sides Attack Low", "Both Sides Concession High" versus "Both Sides Concession Low". In an innovative approach, the joint effects of the trade war situation (actions) and media report strategies are examined to see if the media can stabilize the market in each circumstance.

3.2. *Data sources*

Our sample began on November 9, 2016, the day Donald Trump won the election as the President of the United States, the day that his actions began impacting the investors' expectations, and ended on December 31, 2019. The daily returns, trading volumes, and volatilities of the CSI300 and SME Index are extracted from RESSET database, with the northbound and southbound capital flow from Wind database.

Given the requirement of the China Securities Regulatory Commission (CSRC) that listed companies must publish relevant information in the "seven newspapers and one journal" and the overriding influence of *People's Daily*, we take reference of relevant studies (Li and Shen, 2010; You and Wu, 2012; Wang and Wu, 2015) and select People's Daily and other eight major financial/economic media outlets as our research objects, including *People's Daily*, *Shanghai Securities Daily, China Daily, China Securities Daily, Securities Times, Financial Times, Economic Daily, China Reform Daily,* and *Stock Market Weekly*. The news texts of the aforementioned newspapers are either taken from their official websites or from the Genius Finance database from November 9, 2016, to December 31, 2019, with a total of 247 pieces of news published in 147 days.

3.3. *Measurement of media tone*

Tetlock *et al.* (2008) used a quantitative measure of language to predict individual firms' accounting earnings and stock returns. They found that linguistic media content captures otherwise hard-to-quantify aspects of firms' fundamentals, which investors quickly incorporate into stock prices. Following the procedures of Tetlock *et al.* (2008), Loughran and McDonald (2011), and Wang and Wu (2015), we measured the media tone by the

proportion of positive and negative words in the total vocabulary of the media news on "China–US trade". We employed the NLPIR Chinese lexical analysis system, the most popular lexical software in China, to divide every news report into positive and negative phrases using the sentiment analysis. They serve as the foundation for the development of the tone index. Specifically, according to Garcia (2013), we defined the media tone as the difference between the negative and positive media content measures:

$$\text{Media Tone} = \frac{\text{Number of Positive Phrases} - \text{Number of Negative Phrases}}{\text{Total Number of Phrases in the News}}.$$

If there are multiple articles published on the same day, the average is taken. "High" and "low" tones are defined relative to the average tone index of the released news.

3.4. *Measuring stock market reactions*

Using a return/volatility event study, we measure the impact of trade friction news on the first/second moment of the return distribution, as well as trading volume and southbound/northbound capital flow. Each day on which news is released is considered one event and is referred to as day 0.

Announcement-period return of individual firms equals the daily return in the event day t minus the expected return derived from the one-year estimation window [–280, –31] using the market model.[10] For each group of events, the average abnormal return (AAR_t) is the sample mean on trading day t:

$$\text{AAR}_t = \frac{\sum_{i=1}^{N} \text{AR}_{\text{it}}}{N}.$$

Cumulative average abnormal return (CAAR) is the average individual cumulative abnormal return (CAR) for each event of different groups and it is calculated for different event windows. Over an interval beginning with day T_1 and ending with day T_2, the CAAR is as follows:

$$\text{CAAR}_{T_1,T_2} = \frac{1}{N} \sum_{j=1}^{N} \sum_{t=T_1}^{T_2} \text{AR}_{\text{it}}.$$

[10] Following the conventional practice in the literature (e.g., Brown and Warner, 1985), we use an estimation period of 250 trading days, and when we look at the market index (e.g., SCI300), the expected return, $E(R_{\text{it}})$, is measured using the average daily return from the period (–280, –31).

Similarly, we also measure the market reactions in trading volume (in percentage change) and stock volatility. The abnormal southbound/northbound capital flows are also quantified using the same method. Using the GARCH(1,1) model developed by BialKowski *et al.* (2008), the stock volatilities are calculated. The details of the calculation are abbreviated in this paper.

4. Empirical Results

4.1. *Stock returns around the news releasing*

Admittedly, an event study (focusing on one type of event only) faces some challenges. Chief among them is the confounding events that also potentially impact the variables of interest. To address such issues, we manually identify those days with confounding events and exclude them from our investigation. Specifically, the announcement days of crucial macroeconomic news, including press conferences on national economic performance, China Purchasing Managers Index Monthly Reports, Monthly Consumer Price Index Reports, and Industrial Producer Price Index Monthly Reports from the National Bureau of Statistics, have been deleted to disentangle their potential influences from the impact of the trade war development.

From October 9, 2016 to December 31, 2019, there were 131 Chinese media release days left in total, which are divided into six categories based on how each side acted during the trade frictions. The interval days following one key date are treated as the same class until the next key date changes the type.

Table 1 shows the abnormal returns and CARs of the US trade-intensive firms index versus the nonUS trade-intensive firms when state-controlled

Table 1. Average abnormal returns (AARs, %) and cumulative average abnormal return (CAARs, %): US Trade-intensive Firms versus nonUS trade-intensive firms.

Panel A1. Market reactions to different reporting strategies facing different United States' actions: US-Trade-intensive firms.

	US Attack High	*T*-Value (n^a = 27)	US Attack Low	*T*-Value (n = 38)	US Concession High	*T*-Value (n = 8)	US Concession Low	*T*-Value (n = 3)
AAR(–2)	–0.237	–4.350***	–0.402	–8.205***	0.046	0.429	–0.449	–2.860***
AAR(–1)	0.470	8.631***	–0.483	–9.849***	–0.013	–0.124	1.423	9.072***
AAR(0)	0.273	5.018***	–0.024	–0.493	0.913	8.551***	0.589	3.759***
AAR(1)	–0.227	–4.166***	0.140	2.858***	0.410	3.843***	0.729	4.649***
AAR(2)	–0.115	–2.110**	–0.448	–9.142***	0.466	4.363***	–0.148	–0.946
CAAR(–1, 1)	0.516	9.483***	–0.367	–7.484***	1.310	7.084***	2.741	10.092***
CAAR(–2, 2)	0.165	1.352	–1.218	–11.105***	1.822	7.630***	2.144	6.115***

Table 1. (*Continued*)

Panel A2. Market reactions to different reporting strategies facing different United States' actions: NonUS-Trade-intensive firms.

	US Attack High	*T*-Value ($n = 27$)	US Attack Low	*T*-Value ($n = 38$)	US Concession High	*T*-Value ($n = 8$)	US Concession Low	*T*-Value ($n = 3$)
AAR(–2)	0.064	1.869	–0.040	–1.225	–0.092	–1.683*	–0.031	–0.313
AAR(–1)	0.040	1.172	–0.024	–0.729	0.089	1.629	0.033	0.333
AAR(0)	0.013	0.370	0.008	0.235	0.079	1.443	0.132	1.329
AAR(1)	–0.033	–0.977	0.008	0.234	–0.061	–1.125	–0.141	–1.420
AAR(2)	0.056	1.649	0.025	0.763	0.049	0.896	–0.068	–0.686
CAAR(–1, 1)	0.019	0.326	–0.009	–0.150	0.106	1.124	0.024	0.140
CAAR(–2, 2)	0.139	1.826	–0.024	–0.323	0.063	0.518	–0.075	–0.339

Panel B1. Market reactions to different reporting strategies facing different China's actions: US-Trade-intensive firms.

	China Attack High	*T*-Value ($n = 9$)	China Attack Low	*T*-Value ($n = 10$)	China Concession Low	*T*-Value ($n = 3$)
AAR(–2)	0.490	5.470***	–1.060	–10.084***	0.242	2.214**
AAR(–1)	0.278	3.101***	–0.537	–5.114***	–0.398	–3.632***
AAR(0)	–0.772	–8.612***	–0.700	–6.665***	0.786	7.183***
AAR(1)	–0.550	–6.138***	0.084	0.801	–0.494	–4.510***
AAR(2)	0.265	2.961***	–0.008	–0.073	–0.421	–3.848***
CAAR(–1, 1)	–1.044	–6.729***	–1.154	–6.341***	–0.105	–0.554
CAAR(–2, 2)	–0.288	–1.440	–2.221	–9.457***	–0.284	–1.162

Panel B2. Market reactions to different reporting strategies facing different China's actions: NonUS-Trade-intensive firms.

	China Attack High	*T*-Value ($n = 9$)	China Attack Low	*T*-Value ($n = 10$)	China Concession Low	*T*-Value ($n = 3$)
AAR(–2)	–0.034	–0.575	–0.029	–0.417	–0.180	–2.319**
AAR(–1)	–0.013	–0.220	–0.164	–2.388**	0.048	0.613
AAR(0)	–0.152	–2.565**	–0.223	–3.258***	0.259	3.330***
AAR(1)	–0.106	–1.788*	0.000	–0.006	0.007	0.094
AAR(2)	–0.039	–0.656	0.104	1.511	–0.105	–1.354
CAAR(–1, 1)	–0.270	–2.641***	–0.388	–3.263***	0.314	2.331**
CAAR(–2, 2)	–0.343	–2.596***	–0.313	–2.038**	0.028	0.163

Panel C1. Market reactions to different reporting strategies facing different both sides actions: US-Trade-intensive firms.

	Both Sides Attack High	*T*-Value ($n = 7$)	Both Sides Attack Low	*T*-Value ($n = 7$)	Both Sides Concession High	*T*-Value ($n = 9$)	Both Sides Concession Low	*T*-Value ($n = 5$)
AAR(–2)	0.432	3.044***	–1.348	–11.778***	0.279	3.030***	–0.558	–5.298***
AAR(–1)	–1.144	–8.071***	–0.360	–3.141***	–0.238	–2.582**	0.377	3.580***

(*Continued*)

Table 1. (*Continued*)

	Both Sides Attack High	*T*-Value ($n = 7$)	Both Sides Attack Low	*T*-Value ($n = 7$)	Both Sides Concession High	*T*-Value ($n = 9$)	Both Sides Concession Low	*T*-Value ($n = 5$)
AAR(0)	–0.947	–6.678***	1.084	9.470***	–0.153	–1.657*	0.278	2.640***
AAR(1)	–1.296	–9.141***	0.324	2.827***	–0.640	–6.950***	0.546	5.183***
AAR(2)	1.043	7.361***	–1.581	–13.812***	0.209	2.272**	–1.081	–10.269***
CAAR(–1, 1)	–3.387	–13.803***	1.048	5.290***	–1.030	–6.464***	1.201	6.590***
CAAR(–2, 2)	–1.912	–6.035***	–1.881	–7.355***	–0.542	–2.635***	–0.438	–1.864*

Panel C2. Market reactions to different reporting strategies facing different both sides actions: NonUS-Trade-intensive firms.

	Both Sides Attack High	*T*-Value ($n = 7$)	Both Sides Attack Low	*T*-Value ($n = 7$)	Both Sides Concession High	*T*-Value ($n = 9$)	Both Sides Concession Low	*T*-Value ($n = 5$)
AAR(–2)	0.060	0.853	–0.068	–0.969	–0.044	–0.674	0.129	1.499
AAR(–1)	–0.006	–0.085	–0.067	–0.963	0.001	0.022	–0.057	–0.662
AAR(0)	–0.077	–1.081	0.005	0.078	–0.199	–3.075***	0.204	2.363**
AAR(1)	–0.012	–0.167	0.087	1.239	0.093	1.436	–0.066	–0.769
AAR(2)	0.029	0.409	–0.018	–0.258	0.148	2.279**	0.151	1.747*
CAAR(–1, 1)	–0.094	–0.770	0.025	0.204	–0.105	–0.933	0.080	0.538
CAAR(–2, 2)	–0.005	–0.032	–0.061	–0.390	–0.001	–0.005	0.361	1.868*

Notes: This table reports the abnormal returns (ARs) and cumulative abnormal returns (CARs) of the (non) US trade-intensive firms around the events (news releases) during the US–China trade war. Our 131 event days of Chinese media releases are further divided into 12 groups.[b] AR and CAR of US (non) trade-intensive firms around the events are calculated during different event windows ($-n$, n). Average abnormal return (AAR) is the average of individual AR for events of each group. Cumulative average abnormal return (CAAR) is the average of individual cumulative abnormal return (CAR) for events of each group. The percentage signs are omitted. "N" here refers to the number of event days (the days on which state-controlled media make releases under each type of circumstance), not the number of observations. The percentage signs are omitted. *, **, and *** denotes statistical significance at the 10%, 5%, and 1% level, respectively.

[a] "N" here refers to the number of event days (the days on which state-controlled media make releases under each type of circumstance), not the number of observations.

[b] Because there is no news with a media tone above average released when China makes concessions in negotiations or suspends additional tariffs, it leaves us with only 11 groups of events for analysis.

media releases under any type of circumstances during the US–China trade tensions. "Attack" is defined as when one side imposes some sanctions against China (e.g., investigating exports, imposing tariffs on US goods, establishing its very own unreliable entities list, and filing WTO claims against the other side). The term "concessions" refers to situations in which one side announces that it will remove or lower some tariffs on the goods of the other side, purchases some goods, or when the two countries agree to resolve trade disputes or put the trade war on hold.

The "US attack" events are further divided into "US attack high" and "US attack low" based on whether the media tone is above or below its average when the US launches an attack on China. For example, immediately after Trump's ordered "Section 301" to probe into the alleged Chinese intellectual property theft on August 14, 2017, which was described as his first direct trade measure against Beijing (bad news), and the USTR investigation into Chinese technology transfers on August 18, 2017, Chinese media released several pieces of news criticizing Trump for escalating trade tensions with China and forcibly starting the trade war (with low tone). Despite the predominant low tone when faced with an attack, some of these reports were still released with high tones, primarily depicting the tough stance taken by the Chinese government. For example, as soon as the USTR releases an initial list of products (worth US$50 billion) subject to 25% tariffs on April 3, 2021, China releases news and reports with high tones for five consecutive days, primarily demonstrating China's tough stance on the war and confidence in its ability to defeat the United States.

The "China attack high" and "China attack low" classification is based on whether the media tone was above or below its average when China launches an attack on the US. For instance, when China announced anti-dumping duties of 178.6% on imports of sorghum from the United States as retaliation for their additional tariffs and sanctions on ZTE on April 14, 2018, news releases discussed the trade prospects almost equally with low tone and high tone.

The "China concession high" and "China concession low" classification is based on whether the media tone is above or below its average when China made some unilateral concessions. For example, when China revised its $50 billion tariff list and removed crude oil on August 8, 2018, the official media condemned the US for initiating the trade war and analyzed the severe consequences (in low tones). For brevity, we do not explain all the 12 categories one by one.

During the trade war, the social-psychological expectations of market participants in China became complex and sensitive, determining how they would expand or reduce investment or consumption. Therefore, the Chinese government had a strong motivation to stabilize people's expectations,[11] enhance market players' vitality, and thus drive China's economic development.

[11] A meeting of the Political Bureau of the CPC Central Committee was held on July 31, 2018. In the face of challenges from the external environment, the Political Bureau for the first time proposed the "six stabilizations" concerning employment, finance, foreign trade, foreign investment, investment, and expectations.

As shown in Panel A of Table 1, when the US attacked China, adopting high tones elicited higher returns for US-trade-intensive firms than adopting low tones, but the nonUS-trade-intensive firms seemed indifferent to the events and the media reporting strategy. When the US made concessions, both US-trade-intensive firms and nonUS-trade-intensive firms were not sensitive to the media reporting strategy, always positive for US-trade-intensive firms and insignificant for nonUS-trade-intensive firms. When China attacked the US, both US-trade-intensive firms and nonUS-trade-intensive firms experienced negative returns (see Panel B), no matter whether high or low profiles were adopted by the media; when China made concessions, both US-trade-intensive firms and non-US-trade-intensive firms experienced positive returns on the event day (day 0). So, it seems that the market interprets China's attack as bad news and China's concession as good news.

When both sides either conducted attacks or made concessions, the high tone could not improve US-trade-intensive firms' performance and the cumulative returns around the events, CAAR(–2, 2), were always negative (see Panel C). Also, the non-US-trade-intensive firms were not affected by the reporting strategy under these two circumstances.

In general, only when the US made attacks was our state-controlled media effective in elevating the confidence, measured in returns, of US-trade-intensive firms' investors. The nonUS-trade-intensive firms' investors seemed uninfluenced by the reporting strategies. Apart from the media's perspective, both types of firms were either indifferent to their actions from both sides or reacted negatively under most trade war situations, except that US's and China's concessions created some wealth for the investors.

4.2. *Stock volatilities around the news releasing*

Table 2 shows the daily abnormal volatilities (AVs) and cumulative abnormal volatilities (CAVs) of the (non) US trade-intensive firms' volatilities around the events during the US–China trade war. As shown in Panel A of the table, US attacks led to increased volatilities of US-trade-intensive firms regardless of the reporting strategies adopted by the media. On the contrary, adopting high tones reduced the volatilities of nonUS-trade-intensive firms. Interestingly, when the US made concessions, the state-controlled media was effective in easing the anxieties of both types of investors, by adopting an optimistic attitude.

Table 2. Average abnormal volatilities (AAVs, %) and cumulative average abnormal volatilities (CAAVs, %): US Trade-intensive firms versus nonUS trade-intensive firms.

Panel A1. Market reactions to different reporting strategies facing different United States' actions: US-Trade-intensive firms.

	US Attack High	*T*-Value ($n = 27$)	US Attack Low	*T*-Value ($n = 38$)	US Concession High	*T*-Value ($n = 8$)	US Concession Low	*T*-Value ($n = 3$)
AAV(–2)	0.149	6.868***	0.186	10.395***	0.093	2.488**	0.015	0.302
AAV(–1)	0.132	6.082***	0.150	8.379***	–0.245	–6.584***	0.569	11.453***
AAV(0)	0.087	4.006***	0.156	8.718***	–0.276	–7.425***	0.113	2.274**
AAV(1)	0.018	0.826	0.169	9.444***	–0.163	–4.385***	–0.340	–6.850***
AAV(2)	–0.090	–4.183***	0.123	6.843***	–0.128	–3.437***	–0.316	–6.361***
CAAV(–1, 1)	0.236	6.301***	0.476	15.324***	–0.684	–10.620***	0.342	3.971***
CAAV(–2, 2)	0.294	6.082***	0.785	19.579***	–0.719	–8.650***	0.041	0.366

Panel A2. Market reactions to different reporting strategies facing different United States' actions: NonUS-Trade-intensive firms.

	US Attack High	*T*-Value ($n = 27$)	US Attack Low	*T*-Value ($n = 38$)	US Concession High	*T*-Value ($n = 8$)	US Concession Low	*T*-Value ($n = 3$)
AAV(–2)	0.014	1.027	0.072	6.511***	–0.009	–0.413	0.116	2.454**
AAV(–1)	0.015	1.090	0.081	7.328***	–0.054	–2.419**	0.150	3.166***
AAV(0)	–0.034	–2.521**	0.125	11.313***	–0.043	–1.956*	0.191	4.040***
AAV(1)	–0.036	–2.655***	0.095	8.633***	–0.034	–1.537	0.188	3.983***
AAV(2)	–0.070	–5.192***	0.088	7.949***	–0.081	–3.651***	0.149	3.159***
CAAV(–1, 1)	–0.055	–2.359**	0.300	15.747***	–0.131	–3.413***	0.529	6.460***
CAAV(–2, 2)	–0.112	–3.690***	0.460	18.664***	–0.221	–4.461***	0.794	7.514***

Panel B1. Market reactions to different reporting strategies facing different China's actions: US-Trade-intensive firms.

	China Attack High	*T*-Value ($n = 9$)	China Attack Low	*T*-Value ($n = 10$)	China Concession Low	*T*-Value ($n = 3$)
AAV(–2)	–0.052	–2.266**	0.326	13.780***	–0.262	–5.307***
AAV(–1)	0.174	7.575***	0.398	16.807***	–0.225	–4.550***
AAV(0)	0.169	7.363***	0.345	14.566***	–0.290	–5.880***
AAV(1)	0.173	7.517***	0.028	1.171	–0.020	–0.398
AAV(2)	0.141	6.140***	0.101	4.262***	0.027	0.540
CAAV(–1, 1)	0.516	12.964***	0.770	18.790***	–0.535	–6.252***
CAAV(–2, 2)	0.606	11.775***	1.196	22.623***	–0.770	–6.975***

(*Continued*)

Table 2. (*Continued*)

Panel B2. Market reactions to different reporting strategies facing different China's actions: NonUS-Trade-intensive firms.

	China Attack High	*T*-Value ($n = 9$)	China Attack Low	*T*-Value ($n = 10$)	China Concession Low	*T*-Value ($n = 3$)
AAV(–2)	0.009	0.462	0.233	11.860***	0.028	0.725
AAV(–1)	0.137	6.721***	0.257	13.115***	0.020	0.512
AAV(0)	0.127	6.205***	0.294	15.002***	0.103	2.626***
AAV(1)	0.098	4.803***	0.272	13.895***	–0.019	–0.477
AAV(2)	0.042	2.032**	0.335	17.088***	–0.074	–1.884*
CAAV(–1, 1)	0.363	10.236***	0.824	24.256***	0.104	1.536
CAAV(–2, 2)	0.414	9.045***	1.391	31.734***	0.059	0.671

Panel C1. Market reactions to different reporting strategies facing different both-side actions: US-Trade-intensive firms.

	Both Sides Attack High	*T*-Value ($n = 7$)	Both Sides Attack Low	*T*-Value ($n = 7$)	Both Sides Concession High	*T*-Value ($n = 9$)	Both Sides Concession Low	*T*-Value ($n = 5$)
AAV(–2)	0.277	7.374***	0.076	1.726*	0.231	7.902***	0.175	4.787***
AAV(–1)	0.289	7.693***	–0.033	–0.752	0.369	12.611***	0.088	2.413**
AAV(0)	0.073	1.937*	0.189	4.312***	0.146	5.006***	0.059	1.616
AAV(1)	–0.153	–4.075***	0.205	4.664***	–0.043	–1.459	0.089	2.424**
AAV(2)	0.067	1.781*	0.152	3.469***	–0.093	–3.174***	0.004	0.098
CAAV(–1, 1)	0.209	3.207***	0.361	4.748***	0.472	9.328***	0.236	3.725***
CAAV(–2, 2)	0.552	6.578***	0.589	6.001***	0.611	9.340***	0.415	5.071***

Panel C2. Market reactions to different reporting strategies facing different both sides actions: NonUS-Trade-intensive firms.

	Both Sides Attack High	*T*-Value ($n = 7$)	Both Sides Attack Low	*T*-Value ($n = 7$)	Both Sides Concession High	*T*-Value ($n = 9$)	Both Sides Concession Low	*T*-Value ($n = 5$)
AAV(–2)	0.109	4.777***	0.010	0.390	–0.002	–0.066	0.094	2.877***
AAV(–1)	–0.001	–0.050	0.080	3.111***	–0.017	–0.727	0.095	2.889***
AAV(0)	0.122	5.360***	0.118	4.602***	–0.039	–1.653*	0.073	2.212**
AAV(1)	0.207	9.073***	0.087	3.405***	–0.051	–2.182**	0.052	1.579
AAV(2)	0.023	0.989	0.192	7.467***	0.005	0.212	0.038	1.164
CAAV(–1, 1)	0.328	8.304***	0.285	6.419***	–0.107	–2.634***	0.219	3.857***
CAAV(–2, 2)	0.460	9.011***	0.487	8.486***	–0.104	–1.975**	0.352	4.795***

Notes: This table reports the daily abnormal volatilities (AVs) and cumulative abnormal volatilities (CAVs) of the (non) US trade-intensive firms' volatilities using GARCH method around the events during the US–China trade war. The GARCH volatilities of the (non) US trade-intensive firms are calculated based on GARCH(1,1) model, withdrawn from RESSET database. Individual abnormal volatilities (AVs) and Cumulative abnormal volatilities (CAVs) of SME GARCH around the events are calculated during different event windows ($-n$, n). Average abnormal volatility (AAV) is the average of individual abnormal volatilities (AV) for events of each group. Cumulative average abnormal volatility (CAAV) is the average of individual cumulative abnormal volatilities (CAV) for events of each group. *, **, *** denotes statistical significance at the 10%, 5%, and 1% level, respectively.

Regardless of the media's reporting strategies, the volatilities of both US-trade-intensive and nonUS-trade-intensive firms significantly increased when China attacked the United States or when both sides attacked simultaneously (see Panel C). When both sides made concessions, adopting a high tone could ease the tensions of nonUS-trade-intensive firms' investors. The results in this panel largely correspond to the results of Table 1 in that the market mainly interprets attacks (either side and both) as bad news, which is more salient for US-trade-intensive firms.

In general, when the US made attacks/concessions and when both sides made concessions, the state-controlled media was effective in elevating the confidence of nonUS-trade-intensive firms' investors, and when the US made concessions, it was only effective in reducing the volatilities of US-trade-intensive firms. So, the state-controlled media played a more important role in stabilizing the emotions of nonUS-trade-intensive firms' investors.

4.3. *Trading volume around the news releasing*

Baker and Stein (2004) point out that the trading volume could be treated as a proxy for sentiment. Liquidity (volume) increases with investor sentiment, which could be defined as investors' misconceptions about future asset fundamentals (De Long and Shleifer, 1990; Baker and Stein, 2004), systemic biases in expectations (Stein, 1996), false prior beliefs about future returns (Barberis *et al.*, 1998), and optimistic or pessimistic expectations about future asset prices (Wurgler and Baker, 2006; Yu and Yuan, 2011). So, we examine the influence of news tone on trading volume[12] to determine whether or not the state media can pacify the investors' moods.

The nonUS trade-intensive firms' average abnormal and cumulative average abnormal trading volumes (percent) in relation to the news releases are shown in Table 3. As shown in Panel A of the table, when the US made attacks, the state-controlled media was able to boost the trading volumes of US-trade-intensive firms by adopting an optimistic attitude, but not for nonUS-trade-intensive firms. However, the media's positive attitude significantly increased the liquidity for both types of firms when both sides made concessions.

Regardless of whether the firms were US trade-intensive or nonUS trade-intensive, the media reporting strategies appeared incapable of igniting investors' enthusiasm for trading in the other four scenarios.

[12]When turnover (trading volume divided by average shares listed) is used, we get similar result. It is available upon request.

When nonUS trade-intensive businesses kept a low profile in the face of US concessions (or attacks) or China's attack, the trading volume was astonishingly high. Recalling the high volatilities under these circumstances (Table 2) and insignificant returns in Table 1, it seems opinion divergence played a role in enhancing stock volatilities leading to insignificant returns at the same time (Zhang, 2021).

4.4. *Net cash flows around the news releasing*

Table 4 shows the average abnormal and cumulative average abnormal net cash flows (%) of (non) US trade-intensive firms during the US–China trade war. In all six cases, adopting a high-profile media reporting strategy was generally unable to exert an obvious influence on net cash flows.

Table 3. Average abnormal and cumulative average abnormal trading volume (%): U.S. Trade-intensive Firms versus nonU.S. Trade-intensive Firms.

Panel A1. Market reactions to different reporting strategies facing different United States' actions: US-Trade-intensive firms.

	US Attack High	*T*-Value ($n = 27$)	US Attack Low	*T*-Value ($n = 38$)	US Concession High	*T*-Value ($n = 8$)	US Concession Low	*T*-Value ($n = 3$)
AA_volume(–2)	8.470	1.842*	7.900	2.465**	–10.860	–2.305**	37.410	2.870***
AA_volume(–1)	9.114	1.982**	6.875	2.145**	–10.845	–2.302***	46.544	3.571***
AA_volume(0)	11.659	2.536**	3.081	0.962	4.971	1.055	49.005	3.760***
AA_volume(1)	10.400	2.262**	2.566	0.801	7.563	1.606	50.923	3.907***
AA_volume(2)	7.980	1.736*	1.656	0.517	10.391	2.206**	46.579	3.574***
CAA_volume(–1, 1)	31.173	3.915***	12.522	2.256**	1.689	0.207	146.472	6.501***
CAA_volume(–2, 2)	47.622	4.633***	22.078	3.082***	1.221	0.136	230.461	7.923***

Panel A2. Market reactions to different reporting strategies facing different United States' actions: NonUS-Trade-intensive firms.

	US Attack High	*T*-Value ($n = 27$)	US Attack Low	*T*-Value ($n = 38$)	US Concession High	*T*-Value ($n = 8$)	US Concession Low	*T*-Value ($n = 3$)
AA_volume(–2)	22.227	2.482**	190.810	1.665*	14.572	4.770***	58.508	2.017**
AA_volume(–1)	20.169	2.252**	292.009	2.549**	–6.909	–2.261**	55.421	1.911*
AA_volume(0)	18.227	2.035**	268.427	2.343**	–1.301	–0.426	68.825	2.373**
AA_volume(1)	11.106	1.240	352.245	3.074***	0.720	0.236	49.990	1.723*
AA_volume(2)	7.963	0.889	230.559	2.012**	7.582	2.482**	43.904	1.514
CAA_volume(–1, 1)	49.502	3.192***	912.682	4.600***	–7.490	–1.416	174.236	3.474***
CAA_volume(–2, 2)	79.692	3.980***	1334.050	5.208***	14.664	2.519**	276.648	4.273***

Table 3. (*Continued*)

Panel B1. Market reactions to different reporting strategies facing different China's actions: US-Trade-intensive firms.

	China Attack High	*T*-Value ($n = 9$)	China Attack Low	*T*-Value ($n = 10$)	China Concession Low	*T*-Value ($n = 3$)
AA_volume(–2)	–7.172	–1.656*	0.075	0.021	–22.717	–3.819***
AA_volume(–1)	–1.649	–0.381	–7.118	–1.959*	–27.612	–4.642***
AA_volume(0)	–5.348	–1.235	–8.077	–2.223**	–29.429	–4.948***
AA_volume(1)	–11.546	–2.666***	–2.824	–0.777	–34.775	–5.847***
AA_volume(2)	–9.809	–2.265**	–4.413	–1.215	–35.076	–5.897***
CAA_volume(–1, 1)	–18.542	–2.473**	–18.020	–2.865***	–91.815	–8.929***
CAA_volume(–2, 2)	–35.523	–3.670***	–22.358	–2.753***	–149.608	–11.270***

Panel B2. Market reactions to different reporting strategies facing different China's actions: NonUS-Trade-intensive firms.

	China Attack High	*T*-Value ($n = 9$)	China Attack Low	*T*-Value ($n = 10$)	China Concession Low	*T*-Value ($n = 3$)
AA_volume(–2)	–16.324	–6.559***	22.801	6.181***	–36.950	–13.982***
AA_volume(–1)	–14.386	–5.780***	1.960	0.531	–41.522	–15.712***
AA_volume(0)	–19.483	–7.828***	9.903	2.684***	–43.296	–16.383***
AA_volume(1)	–23.372	–9.391***	13.185	3.574***	–46.813	–17.714***
AA_volume(2)	–19.880	–7.987***	2.514	0.682	–50.982	–19.291***
CAA_volume(–1, 1)	–57.241	–13.286***	25.048	3.922***	–131.630	–28.809***
CAA_volume(–2, 2)	–93.444	–16.800***	50.364	6.108***	–219.562	–37.222***

Panel C1. Market reactions to different reporting strategies facing different both sides actions: US-Trade-intensive firms.

	Both Sides Attack High	*T*-Value ($n = 7$)	Both Sides Attack Low	*T*-Value ($n = 7$)	Both Sides Concession High	*T*-Value ($n = 9$)	Both Sides Concession Low	*T*-Value ($n = 5$)
AA_volume(–2)	–41.456	–14.441***	–34.156	–9.900***	33.989	4.451***	–3.286	–0.604
AA_volume(–1)	–41.175	–14.343***	–28.872	–8.368***	34.979	4.581***	–12.681	–2.333**
AA_volume(0)	–33.980	–11.837***	–33.191	–9.620***	37.223	4.875***	1.673	0.308
AA_volume(1)	–41.553	–14.474***	–32.913	–9.539***	23.376	3.061***	–6.126	–1.127
AA_volume(2)	–46.453	–16.181***	–27.637	–8.010***	30.578	4.005***	–2.566	–0.472
CAA_volume (–1, 1)	–116.707	–23.489***	–94.976	–15.905***	95.578	7.231***	–17.134	–1.822*
CAA_volume (–2, 2)	–204.617	–31.900***	–156.769	–20.336***	160.145	9.385***	–22.986	–1.893*

(*Continued*)

Table 3. (*Continued*)

Panel C2. Market reactions to different reporting strategies facing different both sides actions: NonUS-Trade-intensive firms.

	Both Sides Attack High	*T*-Value ($n = 7$)	Both Sides Attack Low	*T*-Value ($n = 7$)	Both Sides Concession High	*T*-Value ($n = 9$)	Both Sides Concession Low	*T*-Value ($n = 5$)
AA_volume(–2)	–38.597	–19.076***	–31.973	–8.656***	18.885	4.087***	–4.891	–1.218
AA_volume(–1)	–41.100	–20.313***	–29.612	–8.016***	21.278	4.605***	–9.120	–2.271**
AA_volume(0)	–32.423	–16.024***	–29.059	–7.867***	21.174	4.582***	–7.658	–1.907*
AA_volume(1)	–40.613	–20.072***	–24.280	–6.573***	9.379	2.030**	–8.769	–2.184**
AA_volume(2)	–42.529	–21.019***	–25.615	–6.934***	7.584	1.641	–1.470	–0.366
CAA_volume (–1, 1)	–114.137	–32.593***	–82.951	–12.975***	51.831	6.480***	–25.548	–3.677***
CAA_volume (–2, 2)	–195.263	–43.191***	–140.539	–17.028***	78.299	7.582***	–31.908	–3.558***

Notes: This table reports the average abnormal and cumulative average abnormal trading volumes (%) of (non) US trade-intensive firms' volatilities using GARCH method around the events during the US–China trade war. The individual abnormal trading volume (Ab_volume) is obtained by subtracting the normal or expected trading volume in the absence of the event from the actual trading volume in the event period, and then divided by the normal (expected) trading volume, $\mathrm{Ab}_{\mathrm{volume_{it}}} = [\mathrm{Volume_{it}} - E(\mathrm{Volume_{it}})]/E(\mathrm{Volume_{it}})$, where the normal (expected) trading volume is estimated using the actual trading volumes over the 250-day window (–280, –31) before the news release. Average abnormal trading volume (AA_volume) is the average of individual abnormal trading volumes (Ab_volume) for events of each group. Cumulative average abnormal trading volume (CAA_volume) is the average of individual cumulative abnormal trading volumes (CA_volume) for events of each group. The percentage signs are omitted. *, **, and *** denotes statistical significance at the 10%, 5%, and 1% level, respectively.

Table 4. Average abnormal and cumulative average abnormal net cash flow (%): US trade-intensive firms versus nonUS trade-intensive firms.

Panel A1. Market reactions to different reporting strategies facing different United States' actions: US trade-intensive firms.

	US Attack High	*T*-Value ($n = 27$)	US Attack Low	*T*-Value ($n = 38$)	US Concession High	*T*-Value ($n = 8$)	US Concession Low	*T*-Value ($n = 3$)
AA_NCF(–2)	–0.786	–0.876	–0.218	–0.305	–1.191	–0.719	–3.392	–1.298
AA_NCF (–1)	4.941	5.506***	0.316	0.443	–1.966	–1.187	4.392	1.681*
AA_NCF(0)	2.312	2.576**	1.980	2.769***	0.428	0.258	–0.434	–0.166
AA_NCF(1)	–2.788	–3.107***	2.433	3.404***	0.581	0.351	7.200	2.755***
AA_NCF(2)	–0.075	–0.083	–1.214	–1.698*	5.970	3.603***	–3.282	–1.256
CAA_NCF(–1, 1)	4.465	2.872***	4.729	3.820***	–0.958	–0.334	11.158	2.465**
CAA_NCF(–2, 2)	3.604	1.796*	3.297	2.063**	3.821	1.031	4.485	0.768

Table 4. (*Continued*)

Panel A2. Market reactions to different reporting strategies facing different United States' actions: NonUS trade-intensive firms.

	US Attack High	*T*-Value ($n = 27$)	US Attack Low	*T*-Value ($n = 38$)	US Concession High	*T*-Value ($n = 8$)	US Concession Low	*T*-Value ($n = 3$)
AA_NCF(–2)	0.999	1.771	–0.050	–0.100	–1.318	–1.190	–4.142	–2.120**
AA_NCF (–1)	2.536	4.496***	2.187	4.351***	–4.733	–4.274***	2.801	1.433
AA_NCF(0)	0.443	0.784	1.129	2.247**	1.807	1.631	5.619	2.875***
AA_NCF(1)	–2.393	–4.243***	–0.334	–0.665	–2.037	–1.839*	10.814	5.534***
AA_NCF(2)	1.681	2.981***	–0.716	–1.425	1.031	0.931	6.584	3.369***
CAA_NCF(–1, 1)	0.585	0.599	2.982	3.426***	–4.964	–2.587***	19.234	5.683***
CAA_NCF(–2, 2)	1.974	1.565	2.387	2.124**	–1.552	–0.627	20.304	4.647***

Panel B1. Market reactions to different reporting strategies facing different China's actions: US trade-intensive firms.

	China Attack High	*T*-Value ($n = 9$)	China Attack Low	*T*-Value ($n = 12$)	China Concession Low	*T*-Value ($n = 3$)
AA_NCF(–2)	3.145	2.006**	–2.037	–1.460	–0.272	–0.098
AA_NCF (–1)	–0.610	–0.389	–3.736	–2.679***	–5.822	–2.101**
AA_NCF(0)	–8.940	–5.701***	–0.492	–0.353	2.791	1.007
AA_NCF(1)	–3.856	–2.459**	1.114	0.799	–8.170	–2.948***
AA_NCF(2)	1.777	1.133	–1.675	–1.201	–6.837	–2.467**
CAA_NCF(–1, 1)	–13.406	–4.936***	–3.114	–1.289	–11.201	–2.333**
CAA_NCF(–2, 2)	–8.484	–2.420**	–6.825	–2.189**	–18.310	–2.954***

Panel B2. Market reactions to different reporting strategies facing different China's actions: NonUS trade-intensive firms.

	China Attack High	*T*-Value ($n = 9$)	China Attack Low	*T*-Value ($n = 12$)	China Concession Low	*T*-Value ($n = 3$)
AA_NCF(–2)	–0.319	–0.278	0.708	0.734	–0.778	–0.391
AA_NCF (–1)	0.467	0.407	–1.413	–1.466	–5.922	–2.979***
AA_NCF(0)	–5.151	–4.490***	2.726	2.828***	–4.344	–2.185**
AA_NCF(1)	1.650	1.438	1.092	1.133	11.380	5.725***
AA_NCF(2)	4.309	3.756***	0.968	1.005	–2.199	–1.106
CAA_NCF(–1, 1)	–3.034	–1.527	2.405	1.441	1.114	0.324
CAA_NCF(–2, 2)	0.661	0.258	2.135	0.991	2.763	0.622

(*Continued*)

Table 4. (*Continued*)

Panel C1. Market reactions to different reporting strategies facing different both sides actions: US-trade-intensive firms.

	Both Sides Attack High	*T*-Value ($n = 7$)	Both Sides Attack Low	*T*-Value ($n = 7$)	Both Sides Concession High	*T*-Value ($n = 9$)	Both Sides Concession Low	*T*-Value ($n = 5$)
AA_NCF(–2)	3.700	2.073**	–7.124	–4.497***	0.789	0.547	–4.451	–2.158**
AA_NCF (–1)	–5.120	–2.869***	–0.455	–0.287	–2.826	–1.959*	–1.243	–0.603
AA_NCF(0)	–2.913	–1.632	2.499	1.578	–0.109	–0.076	6.042	2.930***
AA_NCF(1)	–4.022	–2.253**	–0.099	–0.063	–5.637	–3.908***	4.857	2.355**
AA_NCF(2)	2.174	1.218	–1.640	–1.035	–0.736	–0.510	–6.860	–3.327***
CAA_NCF (–1, 1)	–12.055	–3.899***	1.945	0.709	–8.572	–3.431***	9.656	2.703***
CAA_NCF (–2, 2)	–6.181	–1.549	–6.819	–1.925*	–8.519	–2.641***	–1.655	–0.359

Panel C2. Market reactions to different reporting strategies facing different both sides actions: NonUS-trade-intensive firms.

	Both Sides Attack High	*T*-Value ($n = 7$)	Both Sides Attack Low	*T*-Value ($n = 7$)	Both Sides Concession High	*T*-Value ($n = 9$)	Both Sides Concession Low	*T*-Value ($n = 5$)
AA_NCF(–2)	7.485	5.910***	–1.234	–1.015	2.198	2.149**	–3.520	–2.348**
AA_NCF (–1)	–0.594	–0.469	4.505	3.707***	–0.171	–0.167	1.071	0.714
AA_NCF(0)	2.833	2.237**	4.284	3.525***	0.301	0.295	0.357	0.238
AA_NCF(1)	–4.864	–3.840***	4.225	3.477***	–4.513	–4.413***	–0.830	–0.554
AA_NCF(2)	6.380	5.037***	–1.316	–1.083	–0.742	–0.725	–2.656	–1.771*
CAA_NCF (–1, 1)	–2.624	–1.196	13.014	6.182***	–4.382	–2.474**	0.598	0.230
CAA_NCF (–2, 2)	11.240	3.969***	13.543	4.984***	–3.751	–1.640	–4.722	–1.409

Notes: This table reports the average abnormal and cumulative average abnormal net cash flows (%) of (non) US trade-intensive firms around the events during the US–China trade war. Individual net cash flow (NCF, %) equals the daily cash inflows minus daily cash outflows divided by the sum of daily cash inflows minus daily cash outflows in absolute terms, with percentage signs omitted. Individual abnormal net cash flows (Ab_NCF) and cumulative abnormal net cash flows (CA_NCF) of individual firms around the events are calculated during different event windows ($-n$, n). Average abnormal net cash flow (AA_NCF) is the average of individual abnormal net cash flows (Ab_NCF) for events of each group. Cumulative average abnormal net cash flow (CAA_NCF) is the average of individual cumulative abnormal net cash flows (CA_NCF) for events of each group. The percentage signs are omitted. *, **, and *** denotes statistical significance at the 10%, 5%, and 1% level, respectively.

Interestingly, the NCF into nonU.S. trade-intensive firms increased significantly when the media adopted a low tone in response to US actions (attacks or concessions), indicating the shelter effect of such firms, which investors might consider a safe investment target. NCFs were insignificant for both types of firms when the media adopted high tones on US concession, but

significant for both types of firms when the media adopted high tones on both sides of the concession. This indicates that both sides concession made a stronger commitment.

In general, there is no prevailing pattern of the impact of media coverage on the NCFs of both types of firms.

4.5. *Stock market liquidity around the news releasing*

Tables 5 and 6 show the abnormal and cumulative abnormal trading volumes (%) of CSI300 (SME) components related to the events in the US–China

Table 5. Average abnormal and cumulative average abnormal trading volume (%) of CSI 300.

Panel A. Market reactions to different reporting strategies facing different United States' actions.

	US Attack High	*T*-Value ($n = 27$)	US Attack Low	*T*-Value ($n = 38$)	US Concession High	*T*-Value ($n = 8$)	US Concession Low	*T*-Value ($n = 3$)
AA_volume_ CSI 300(–2)	3.535	0.599	–0.095	–0.019	3.177	0.178	–2.940	–0.075
AA_volume_ CSI 300(–1)	5.482	0.823	1.806	0.365	–2.783	–0.195	–6.921	–0.197
AA_volume_ CSI 300(0)	7.769	1.291	0.393	0.086	9.381	0.758	–2.867	–0.072
AA_volume_ CSI 300(1)	2.073	0.398	1.738	0.341	5.521	0.455	–4.917	–0.146
AA_volume_ CSI 300(2)	3.126	0.602	2.638	0.497	6.602	0.424	–1.096	–0.032
CAA_Volume_ CSI300(–1, 1)	15.325	0.905	3.938	0.284	12.119	0.326	–14.705	–0.136
CAA_Volume_ CSI300(–2, 2)	21.986	0.823	6.481	0.282	21.898	0.328	–18.740	–0.104

Panel B. Market reactions to different reporting strategies facing different China's actions.

	China Attack High	*T*-Value ($n = 10$)	China Attack Low	*T*-Value ($n = 11$)	China Concession Low	*T*-Value ($n = 3$)
AA_volume_CSI 300(–2)	–6.338	–0.484	18.540	1.402	–41.137	–2.958*
AA_volume_CSI 300(–1)	–5.403	–0.397	8.993	0.783	–43.317	–2.980*
AA_volume_CSI 300(0)	–7.483	–0.557	11.959	1.017	–46.177	–3.996*
AA_volume_CSI 300(1)	–15.142	–1.428	12.583	1.012	–47.473	–4.425**
AA_volume_CSI 300(2)	–13.980	–1.287	5.071	0.486	–51.363	–4.978**
CAA_Volume_CSI300(–1, 1)	–28.028	–0.757	33.535	0.956	–136.967	–3.812*
CAA_Volume_CSI300(–2, 2)	–48.345	–0.807	57.146	0.992	–229.467	–3.880*

(*Continued*)

Table 5. (*Continued*)

Panel C. Market reactions to different reporting strategies facing different both sides actions.

	Both Sides Attack High	*T*-Value ($n=7$)	Both Sides Attack Low	*T*-Value ($n=7$)	Both Sides Concession High	*T*-Value ($n=9$)	Both Sides Concession Low	*T*-Value ($n=5$)
AA_volume_ CSI 300(–2)	–45.323	–13.702***	–37.427	–4.528***	39.499	1.955*	8.759	0.376
AA_volume_ CSI 300(–1)	–46.433	–11.886***	–34.724	–3.885***	38.914	1.770	1.968	0.107
AA_volume_ CSI 300(0)	–39.956	–11.250***	–37.104	–4.190***	42.319	1.499	14.916	0.656
AA_volume_ CSI 300(1)	–46.104	–16.180***	–36.228	–4.859***	27.346	1.441	12.865	0.557
AA_volume_ CSI 300(2)	–49.007	–38.132***	–37.216	–3.408**	31.720	1.369	23.978	0.723
CAA_Volume_ CSI300(–1, 1)	–132.493	–21.011***	–108.056	–4.501***	108.578	1.592	29.748	0.468
CAA_Volume_ CSI300(–2, 2)	–226.823	–42.320***	–182.699	–4.366***	179.798	1.628	62.485	0.524

Notes: This table reports the abnormal and cumulative abnormal trading volumes (%) of CSI 300 components around the US–China trade war events. Individual abnormal trading volumes (Ab_volume) and cumulative abnormal trading volumes (CA_Volume) of CSI300 around the events are calculated during different event windows ($-n$, n). Average abnormal trading volume (AA_volume) is the average of individual abnormal trading volumes (Ab_volume) for events of each group. Cumulative average abnormal trading volume (CAA_volume) is the average of individual cumulative abnormal trading volumes (CA_volume) for events of each group. The percentage signs are omitted. *, **, and *** denotes statistical significance at the 10%, 5%, and 1% level, respectively.

Table 6. Average abnormal and cumulative average abnormal trading volume (%) of SME.

Panel A. Market reactions to different reporting strategies facing different United States' actions.

	US Attack High	*T*-Value ($n = 27$)	US Attack Low	*T*-Value ($n = 38$)	US Concession High	*T*-Value ($n = 8$)	US Concession Low	*T*-Value ($n = 3$)
AA_volume_SME(–2)	–7.080	–1.069	–14.783	–3.963***	–18.652	–2.557**	7.410	0.155
AA_volume_SME(–1)	–5.266	–0.730	–13.093	–3.409***	–22.306	–3.758***	1.887	0.046
AA_volume_SME(0)	–3.379	–0.516	–14.403	–4.209***	–10.430	–2.528**	6.861	0.144
AA_volume_SME(1)	–8.309	–1.439	–13.382	–3.564***	–13.533	–3.237**	5.700	0.135
AA_volume_SME(2)	–7.909	–1.495	–12.794	–3.302***	–12.698	–1.660	9.563	0.227
CAA_Volume_SME (–1, 1)	–16.954	–0.901	–40.878	–3.984***	–46.269	–5.054***	14.448	0.111
CAA_Volume_SME (–2, 2)	–31.943	–1.073	–68.454	–4.065***	–77.618	–4.062***	31.421	0.143

Table 6. (*Continued*)

Panel B. Market reactions to different reporting strategies facing different China's actions.

	China Attack High	*T*-Value (n = 10)	China Attack Low	*T*-Value (n = 11)	China Concession Low	*T*-Value (n = 3)
AA_volume_SME(–2)	–17.201	–1.495	3.163	0.279	–42.607	–6.178**
AA_volume_SME(–1)	–16.136	–1.309	–5.409	–0.564	–44.853	–5.458**
AA_volume_SME(0)	–18.082	–1.510	–2.928	–0.302	–47.337	–9.731**
AA_volume_SME(1)	–24.885	–2.616*	–2.296	–0.222	–48.393	–10.442***
AA_volume_SME(2)	–23.860	–2.447*	–8.634	–0.970	–52.400	–12.431***
CAA_Volume_SME(–1, 1)	–59.103	–1.777	–10.633	–0.365	–140.583	–8.637**
CAA_Volume_SME(–2, 2)	–100.164	–1.869*	–16.103	–0.333	–235.590	–9.211**

Panel C. Market reactions to different reporting strategies facing different both sides actions.

	Both Sides Attack High	*T*-Value (n = 7)	Both Sides Attack Low	*T*-Value (n = 7)	Both Sides Concession High	*T*-Value (n = 9)	Both Sides Concession Low	*T*-Value (n = 5)
AA_volume_SME (–2)	–51.574	–21.605***	–41.642	–4.419***	36.912	1.561	–2.986	–0.117
AA_volume_SME (–1)	–52.340	–14.108***	–39.010	–3.762***	36.720	1.453	–10.087	–0.512
AA_volume_SME (0)	–46.599	–13.971***	–40.963	–3.950***	40.230	1.272	1.650	0.068
AA_volume_SME (1)	–52.134	–21.079***	–40.610	–4.659***	24.320	1.105	–2.162	–0.097
AA_volume_SME (2)	–54.629	–34.083***	–41.150	–3.347**	29.926	1.131	9.816	0.283
CAA_Volume_SME (–1, 1)	–151.073	–24.497***	–120.583	–4.221***	101.270	1.298	–10.599	–0.160
CAA_Volume_SME (–2, 2)	–257.276	–52.167***	–203.375	–4.129***	168.108	1.324	–3.768	–0.030

Notes: This table reports the abnormal and cumulative abnormal trading volumes (%) of SME components around the US–China trade war events. Individual abnormal trading volumes (Ab_volume) and cumulative abnormal trading volumes (CA_Volume) of SME around the events are calculated during different event windows ($-n$, n). Average abnormal trading volume (AA_volume) is the average of individual abnormal trading volumes (Ab_volume) for events of each group. Cumulative average abnormal trading volume (CAA_volume) is the average of individual cumulative abnormal trading volumes (CA_volume) for events of each group. The percentage signs are omitted. *, **, and *** denotes statistical significance at the 10%, 5% and 1% level, respectively.

trade war. The media's overall reporting strategy had little effect on market trading volume, except when the US launched attacks, adopting a high tone was able to reduce the negative effects of the attacks. When either China made concessions or both sides made attacks, the liquidity of the market was greatly hindered. Otherwise, the market was generally not affected.

In general, the reporting strategy of the state-controlled media did little in improving the market liquidity of big caps and played a limited role for the small caps, with the investors more likely to become more prudential than aggressive.

4.6. *Southbound/northbound capital flow around the news releasing*

Tables 7 and 8 show the abnormal and cumulative abnormal northbound (southbound) capital flow (percentage of change) related to the events of the US–China trade war.

On one hand, the media reporting strategy did not significantly affect the northbound capital flow as a whole and did not experience significant changes related news releases. Since the northbound funds come from international capital in Hong Kong, reflecting the confidence of international investors in A-shares, it seems the international investors were not easily

Table 7. Average abnormal and cumulative average northbound capital flow (percentage of change).

Panel A. Market reactions to different reporting strategies facing different United States' actions.

	US Attack High	*T*-Value ($n = 27$)	US Attack Low	*T*-Value ($n = 38$)	US Concession High	*T*-Value ($n = 8$)	US Concession Low	*T*-Value ($n = 3$)
AA_NCF(–2)	–2.008	–0.247	0.350	0.099	11.725	1.469	3.753	0.184
AA_NCF(–1)	6.639	0.674	1.107	0.275	5.984	0.911	3.473	0.534
AA_NCF(0)	–4.805	–0.695	5.626	1.056	18.149	1.261	2.812	0.221
AA_NCF(1)	–3.487	–0.384	1.906	0.612	9.849	1.558	16.087	0.532
AA_NCF(2)	–5.972	–0.993	3.557	0.958	0.187	0.034	–14.228	–1.570
CAA_NCF(–1, 1)	–1.654	–0.078	8.639	0.853	33.981	1.413	22.371	1.216
CAA_NCF(–2, 2)	–9.633	–0.320	12.546	0.929	45.894	1.705	11.897	0.673

Panel B. Market reactions to different reporting strategies facing different China's actions.

	China Attack High	*T*-Value ($n = 10$)	China Attack Low	*T*-Value ($n = 11$)	China Concession Low	*T*-Value ($n = 3$)
AA_NCF(–2)	–10.864	–0.959	3.972	0.624	1.824	0.062
AA_NCF(–1)	1.640	0.193	–0.579	–0.069	3.903	0.169
AA_NCF(0)	4.406	0.565	–8.471	–0.429	–16.720	–3.626*
AA_NCF(1)	5.613	0.345	4.582	0.354	–18.080	–4.654*
AA_NCF(2)	17.273	2.918**	3.090	0.347	–20.600	–3.689*
CAA_NCF(–1, 1)	11.659	0.476	–4.468	–0.146	–30.897	–1.111
CAA_NCF(–2, 2)	18.068	0.499	2.594	0.073	–49.673	–1.299

Table 7. (*Continued*)

Panel C: Market reactions to different reporting strategies facing different both sides actions.

	Both Sides Attack High	*T*-Value ($n = 7$)	Both Sides Attack Low	*T*-Value ($n = 7$)	Both Sides Concession High	*T*-Value ($n = 9$)	Both Sides Concession Low	*T*-Value ($n = 5$)
AA_NCF(–2)	–5.617	–0.515	3.198	0.283	3.230	0.732	4.470	0.766
AA_NCF(–1)	–7.073	–0.638	13.932	2.251*	6.400	0.576	7.879	0.857
AA_NCF(0)	–5.229	–0.630	–15.301	–0.818	2.821	0.205	–14.801	–1.755
AA_NCF(1)	0.349	0.048	–27.357	–1.657	1.621	0.130	–5.968	–0.574
AA_NCF(2)	4.458	0.547	–7.616	–0.911	–1.927	–0.194	15.892	2.703*
CAA_NCF(–1, 1)	–11.953	–0.563	–28.727	–0.993	10.843	0.329	–12.890	–0.585
CAA_NCF(–2, 2)	–13.113	–0.371	–33.144	–0.832	12.146	0.301	7.471	0.270

Notes: This table reports the abnormal and cumulative abnormal northbound capital flow (percentage of change) around the events during the US–China trade war. Individual abnormal northbound capital flow (Ab_NCF, in percent of change) and cumulative abnormal northbound capital flow (CA_NCF) around the events are calculated during different event windows ($-n$, n). Average abnormal northbound capital flow (AA_NCF) is the average of individual abnormal northbound capital flow (Ab_NCF) for events of each group. Cumulative average abnormal trading volume (CAA_NCF) is the average of individual cumulative abnormal trading volumes (CA_NCF) for events of each group. *, **, and *** denotes statistical significance at the 10%, 5%, and 1% level, respectively.

Table 8. Average abnormal and cumulative average abnormal southbound capital flow (percentage of change).

Panel A. Market reactions to different reporting strategies facing different United States' actions.

	US Attack High	*T*-Value ($n = 27$)	US Attack Low	*T*-Value ($n = 38$)	US Concession High	*T*-Value ($n = 8$)	US Concession Low	*T*-Value ($n = 3$)
AA_SCF(–2)	2.217	0.704	–7.460	–3.068***	–14.495	–3.523***	4.847	0.369
AA_SCF(–1)	6.513	2.666**	–9.840	–3.308***	–9.443	–2.550**	10.653	0.889
AA_SCF(0)	4.002	1.683	–8.365	–3.591***	–5.723	–1.219	0.267	0.041
AA_SCF(1)	4.649	1.940*	–6.419	–2.412**	–5.829	–1.743	–1.693	–0.348
AA_SCF(2)	5.159	1.831*	–11.041	–4.508***	–6.042	–2.499*	–1.077	–0.367
CAA_SCF(–1, 1)	15.163	2.784***	–24.625	–3.783***	–20.995	–2.620**	9.227	0.418
CAA_SCF(–2, 2)	22.539	2.330**	–43.125	–4.521***	–41.532	–3.521***	12.996	0.363

Panel B. Market reactions to different reporting strategies facing different China's actions.

	China Attack High	*T*-Value ($n = 10$)	China Attack Low	*T*-Value ($n = 11$)	China Concession Low	*T*-Value ($n = 3$)
AA_SCF(–2)	–11.043	–1.965*	–11.895	–1.446	–7.631	–0.808
AA_SCF(–1)	–9.785	–1.246	–2.687	–0.257	–10.881	–1.271
AA_SCF(0)	–12.520	–1.845*	2.991	0.276	–8.584	–1.065
AA_SCF(1)	–13.271	–1.906*	–6.609	–0.876	–16.798	–0.990

(*Continued*)

Table 8. (*Continued*)

	China Attack High	*T*-Value ($n = 10$)	China Attack Low	*T*-Value ($n = 11$)	China Concession Low	*T*-Value ($n = 3$)
AA_SCF(2)	–4.612	–0.989	–15.521	–2.879***	–19.563	–0.935
CAA_SCF(–1, 1)	–35.576	–1.756	–6.305	–0.259	–36.264	–1.700
CAA_SCF(–2, 2)	–51.231	–1.882*	–33.720	–1.006	–63.458	–1.728

Panel C. Market reactions to different reporting strategies facing different both sides actions.

	Both Sides Attack High	*T*-Value ($n = 7$)	Both Sides Attack Low	*T*-Value ($n = 7$)	Both Sides Concession High	*T*-Value ($n = 9$)	Both Sides Concession Low	*T*-Value ($n = 5$)
AA_SCF(–2)	–7.176	–1.709	–2.788	–0.621	1.239	0.267	–8.623	–1.783
AA_SCF(–1)	–10.714	–2.767**	–1.979	–0.431	0.248	0.050	–8.073	–1.241
AA_SCF(0)	–7.606	–1.721	4.761	0.725	–0.543	–0.118	–8.143	–0.906
AA_SCF(1)	–8.397	–2.144*	–0.741	–0.144	–4.170	–0.626	–3.329	–0.847
AA_SCF(2)	–8.127	–1.819	–2.878	–0.387	–1.680	–0.324	–5.399	–0.569
CAA_SCF(–1, 1)	–26.717	–2.603**	2.041	0.182	–4.466	–0.310	–19.545	–1.027
CAA_SCF(–2, 2)	–42.021	–2.831**	–3.626	–0.172	–4.906	–0.221	–33.568	–1.269

Notes: This table reports the abnormal and cumulative abnormal southbound capital flow (percentage of change) around the events during the US–China trade war. Individual abnormal southbound capital flow (Ab_SCF, in percent of change) and cumulative abnormal southbound capital flow (CA_SCF) around the events are calculated during different event windows ($-n$, n). Average abnormal southbound capital flow (AA_SCF) is the average of individual abnormal southbound capital flow (Ab_SCF) for events of each group. Cumulative average abnormal trading volume (CAA_SCF) is the average of individual cumulative abnormal trading volumes (CA_SCF) for events of each group. *, **, and *** denotes statistical significance at the 10%, 5%, and 1% level, respectively.

persuaded by what the official claimed. On the other hand, adopting a high tone was able to impede the southbound capital flow in three out of six situations, indicating the worries of mainland investors were soothed somewhat by the official attitude and reduced the cross-border flight of their capital.

In general, the official stance of the state-controlled media did little in attracting northbound cash flow but played a role in holding back southbound cash flow.

5. Discussion

In this study, we made new attempts to explain how investor sentiment comes into shape and determines the impacting channel. We classified the news-releasing days into 12 groups based on two dimensions. Although the classification of key days is based on our judgments and might be subjective, due to the limitedness of our sample, dividing them into sub-groups greatly reduced the sample size and increased the likelihood of selection bias.

An event study is used to examine both the market level and the firm-lever impacts of different types of news during the China–US trade frictions in terms of stock returns, trading volumes, volatilities, and northbound (southbound) capital flow. Each type of model is used to analyze multiple events of the same kind of news. Undeniably, other events potentially moved the market, such as continued financial deleveraging, a growing wave of bond defaults, an economic slowdown in emerging markets, and a rise in US dollar interest rates since 2018. Such events put pressure on the stock markets but are difficult to rule out. Absolutely, it would be difficult to quantify the impact of the trade war, let alone the news itself. However, other types of news are uncommon compared with the frequent dissemination of trade war news. Event study also gives us the opportunity to examine market reactions on individual days and through different windows. In addition to the method described, we use a different estimation period to control seasonality.[13] With these two methods, similar results have been derived. Therefore, we dare to draw the bold conclusion that our findings adequately reflected the major impacts of the trade war news.

This study adds to the body of literature by investigating the stock market reactions to China–US trade frictions during the Trump era in a comprehensive manner, including firm-level stock returns, volatilities, and net cash flow of both US-trade-intensive firms and nonUS-trade-intensive firms, market liquidity, and cross-border capital flight. We also cautiously add new explanations to the literature, both in defining the situations/news and examining the market movements. We are the first to incorporate counterparty actions in defining the trade war situations and link the northbound (and southbound) capital flows with the state-controlled media tone in the context of trade frictions.

6. Conclusion

The global economy is particularly impacted by China–US economic relations. Since Donald Trump's inauguration, investors have perceived more uncertainty which are primarily reflected in the trade frictions. The reason

[13]When the normal (expected) return is estimated using the actual returns over the 61-day window (–280, –220), the same season as the news release one year before, with the news releasing day at the middle point of the season. At the same season, we assume the market are likely to subject to the influences of similar factors, such as the timing of fund managers, and releasing of macroeconomic news. We get similar results with this robustness check, which are available upon request.

why the United States has adopted the "decoupling" policy of trade and economy with China stems from the deep-rooted "zero-sum game" mentality of US politicians, built on geopolitical and economic interests and for the sake of the existing international system and for domestic political considerations. For example, when the US placed Huawei on its 'entity list', banning it from purchasing from US companies in May 2019, showing that the United States tried to block and lock China in the low-end links of the industrial chain while hollowing out their industrial base, attempting to restrict China's development of high-end science and technology industries.

This study aims to investigate the relationship between state-controlled media tone on the occurrence of different actions from both sides and Chinese stock market reactions in the context of China–US trade frictions. In General, only when the US made attacks was the state-controlled media effective in elevating the confidence, measured in terms of returns, of US-trade-intensive firms' investors. Investors in nonUS trade-intensive firms appeared unaffected by the reporting strategies. The state-controlled media played a more effective role in stabilizing the emotions of nonUS-trade-intensive firms' investors. When the US made attacks/concessions and when both sides gave concessions, the state-controlled media was able to allay the fears of nonUS-trade-intensive firms' investors and reduce the volatilities of US-trade-intensive firms' when the US made concessions. Moreover, the reporting strategy of the state-controlled media has done little to improve market liquidity for big caps and played a limited role for small caps, and investors are becoming more cautious rather than aggressive towards news releases. Lastly, the official stance of the state-controlled media did little in attracting northbound cash flow but played a role in holding back southbound cash flow.

The role played by the state-controlled media depends on the actions taken by both parties, as well as the type of firms. When the US took actions, either conducting attacks or concessions, adopting a high tone played some role in boosting returns and curbing fluctuations; adjusting reporting strategies also played some role in elevating the liquidity of both types of firms and influencing domestic southbound investments. When China made concessions or both sides took actions (attacks or concessions), the market reactions were motivated more by the actions than the official attitudes.

This study helps enrich the behavioral finance theory by providing explanations on how the state-controlled media play a role in the capital market and what the impacting channel of investor sentiment is. It is also intended to assist the regulatory authorities in developing appropriate measures to increase investor confidence, effectively mitigate financial risks, and perform

the capital market's function of resource allocation optimization more effectively. This study helps the mainstream media understand its role in stabilizing expectations, adopt reasonable reporting strategies, and strengthen the effectiveness of information transmission. It is also of great significance for in-depth research on the fluctuation mechanism of investor sentiment, public opinion management, and financial supervision. Further research into the mechanism and economic implications of the findings from this study would be meaningful for future research.

Appendix A

Table A.1. Timeline and classification of the US–China Trade War.

	Date	Event	Brief Description/Minor Trade Issue	Good/Bad News Classification
1	2016/6/28	Trump lays out plans to counter China.	While campaigning for the White House, Trump lays out plans to counter unfair trade practices from China at a rally in Pennsylvania. He also previews his eventual moves to apply tariffs under sections 201 and 301 of the Trade Act of 1974. He says China's entrance into the World Trade Organization enabled the "greatest jobs theft in the history."	US Attack
2	2017/3/31	Two executive orders were signed by Trump.	One calls for tighter tariff enforcement in anti-subsidy and anti-dumping trade cases. The other orders a review of US trade deficits and their causes.	US Attack
3	2017/4/7	Xi visits Trump's Mar-a-Lago estate in Florida.	Trump and Chinese President Xi Jinping agree to set up a 100 Day Action Plan to resolve trade differences.	US Concession
4	2017/4/28	The USTR is authorized to investigate whether steel/aluminum imports pose a threat to national security.		US Attack

(*Continued*)

Table A.1. (*Continued*)

	Date	Event	Brief Description/Minor Trade Issue	Good/Bad News Classification
5	2017/5/22	Trade deal reached.	US and China agreed to a trade deal that would give US firms greater access to China's agriculture, energy, and financial markets, while China gains access to sell cooked poultry to the US.	Both sides concession
6	2017/7/19	The two sides fail to agree on new steps to reduce the US deficit with China after 100 days of talks.		Other types
7	2017/8/14	"Section 301" case against China initiated.	Trump orders "Section 301" to probe into alleged Chinese intellectual property theft, described as his first direct trade measure against Beijing.	US attack
8	2017/8/18	Investigations into Chinese technology transfers initiated.	The USTR initiates an investigation into individual acts, policies, and practices of the Chinese government relating to technology transfer, intellectual property, and innovation.	US attack
9	2017/11/10	Trump pays a "state visit plus" to China.	Relations were considered to have warmed.	US concession
10	2018/1/17	Trump threatens a big "fine" on China	Trump, in a Reuters interview, threatens a big "fine" on China over alleged I.P. theft, without providing details.	US attack
11	2018/1/22	Trump imposes tariffs on all imported washing machines and solar panels — not just those from China.		US attack
12	2018/2/5	China Investigates US Exports of Sorghum		China attack

Table A.1. (*Continued*)

	Date	Event	Brief Description/Minor Trade Issue	Good/Bad News Classification
13	2018/2/7	'Global safeguard tariffs' implemented.	The US implements 'global safeguard tariffs' – placing a 30% tariff on all solar panel imports, except for those from Canada (worth US$8.5 billion) and a 20% tariff on washing machine imports (worth US$1.8 billion).	US attack
14	2018/3/8	Trump orders 25% tariffs on steel imports and 10% on aluminum from all suppliers — not just China.		US attack
15	2018/3/22	Trump signs a memorandum directing some acts.	To file a WTO case against China for their discriminatory licensing practices; To restrict investment in key technology sectors; and To impose tariffs on Chinese products (such as aerospace, information communication technology, and machinery).	US attack
16	2018/3/23	Tariffs on steel and aluminum imports are imposed.	The US imposes a 25% tariff on all steel imports (except that from Argentina, Australia, Brazil, and South Korea) and a 10% tariff on all aluminum imports (except that from Argentina and Australia).	US attack
17	2018/4/2	Tariffs on US goods imposed by China.	China imposes tariffs (ranging 15–25%) on 128 products (worth US$3 billion), including fruit, wine, seamless steel pipes, pork, and recycled aluminum, in retaliation to the US steel and aluminum tariffs.	China attack
18	2018/4/3	The initial list released by the US.	The USTR releases an initial list of 1334 proposed products (worth US$50 billion) subject to a potential 25% tariff (list revised June 15).	US attack

(*Continued*)

Table A.1. (*Continued*)

	Date	Event	Brief Description/Minor Trade Issue	Good/Bad News Classification
19	2018/4/4	Tariffs on US goods imposed by China.	China reacts to USTR's initial list and proposes 25% tariffs to be applied on 106 products (worth US$50 billion) on goods such as soybeans, automobiles, chemicals (list revised on Jun 16).	China attack
20	2018/4/5	Additional tariffs proposed by Trump.	Trump instructs trade officials to consider whether an additional $100 billion of US imports from China should be imposed.	US attack
21	2018/4/16	U.S. Department of Commerce concludes that Chinese telecom company ZTE violated US sanctions.	US companies are banned from doing business with ZTE for seven years.	US attack
22	2018/4/17	China announces anti-dumping duties of 178.6% on imports of sorghum from the US.		China attack
23	2018/5/7	The US and China engage in trade talks in Beijing.	The US demands that China reduce the trade gap by US$200 billion within two years. Talks end with no resolution.	US Attack
24	2018/5/13	Trump promises to help ZTE in a tweet.		US concession
25	2018/5/18	China's Commerce Ministry announces that it will stop tariffs on US sorghum at negotiations.		China concession
26	2018/5/20	The trade war is put on hold.	US and China agree to put the trade war on hold after China reportedly agrees to buy more US goods.	Both sides concession

Table A.1. (*Continued*)

	Date	Event	Brief Description/Minor Trade Issue	Good/Bad News Classification
27	2018/5/29	The US reinstates tariff plans after a brief truce.		US attack
28	2018/6/5	Two days of trade talks between the US and China are held in Beijing.		Both sides concession
29	2018/6/7	The US and ZTE agree to a deal that will allow ZTE to resume business.		Both sides concessions
30	2018/6/15	(US) Initial list of products reduced and finalized.	List 1 now implements a 25% tariff on a reduced 818 products (from 1334) and is set to take effect on July 6, 2018. List 2 of 284 new products is also announced and under consideration.	US attack
31	2018/6/18	Trump asks for more tariffs.	On June 16, China revises its initial tariff list (25% on 106 products) to now include a 25% tariff on 545 products (valued at US$34 billion). This tariff will take effect on July 6, 2018. China also proposes a second round of 25% tariffs on a further 114 products (valued at US$16 billion). In response to China's retaliatory tariffs announced on June 15, 2018, President Trump directs the US Trade.	US attack
32	2018/7/6	The US implements first China-specific tariffs.		US attack
33	2018/7/10	The US releases a second tariff list (The United States unveils plans for 10% tariffs on $200 billion of Chinese imports).	The USTR releases a third list of tariffs (List 3) of over 6000 commodities originating in China (worth US$200 billion), which will be subject to a 10% tariff.	US attack

(*Continued*)

Table A.1. (*Continued*)

	Date	Event	Brief Description/Minor Trade Issue	Good/Bad News Classification
34	2018/7/16	Trump Administration Files WTO Challenges.	The US Trade Representative files separate disputes at the World Trade Organization against China, alleging that the countermeasures implemented by the Chinese government in response to the US Steel and Aluminum 232 measures did not comply with the relevant rules of the WTO.	US attack
35	2018/7/20	Trump Threatens Tariffs on All Imports from China.		US attack
36	2018/8/1	Trump orders USTR to increase the tariffs on $200 billion of Chinese imports to 25% from the originally proposed 10%.		US attack
37	2018/8/2	US tariffs revisions (US$200 billion)	The U.S. Department of Commerce also adds 44 Chinese entities to its export control list that pose a "significant risk" to US national security.	US attack
38	2018/8/3	China announces second round of tariffs on US products		China attack
39	2018/8/7	The second round of tariffs finalized and released by the US	US releases a revised version of tariffs on a final list of US$16 billion worth of imports from China	US attack
40	2018/8/8	China revises its $50 billion tariff list, removing crude oil.		China concession

Table A.1. (*Continued*)

	Date	Event	Brief Description/Minor Trade Issue	Good/Bad News Classification
41	2018/8/14	China files WTO claim against the US.	The Chinese Ministry of Commerce announces that a legal case has been lodged at the WTO against the US for its tariffs on solar panels, alleging that US tariffs have damaged China's trade interests.	China attack
42	2018/8/23	US and China implement the second round of tariffs, China files second WTO complaint against the US.		Both sides attack
43	2018/9/7	Trump threatens new tariffs.	Trump threatens to impose tariffs on US$267 billion more.	US attack
44	2018/9/12	The US invites China to re-open negotiations.	The White House's top economic advisor, Larry Kudlow, says that the US has invited China to restart trade negotiations before tariffs on US$200 billion worth of Chinese goods (List 3) go into effect.	US concession
45	2018/9/17	US finalizes tariffs on US$200 billion of Chinese goods.		US attack
46	2018/9/18	China announces retaliation for US tariffs.	China announces that it will implement tariffs on US$60 billion worth of U.S. goods (List 3) after the latest round of tariffs from the U.S. (worth US$200 billion) go into effect on September 24.	China attack
47	2018/9/24	US and China implement a third round of tariffs.	On September 22, China cancels trade talks with the US.	Both sides attack
48	2018/10/25	US and China officials resume contact.	US and China working-level officials reportedly resume contact after weeks of silence.	Both sides concession

(*Continued*)

Table A.1. (*Continued*)

	Date	Event	Brief Description/Minor Trade Issue	Good/Bad News Classification
49	2018/10/30	The US reportedly prepared to announce tariffs on remaining Chinese products.	The US is reportedly prepared to announce tariffs on all remaining Chinese products by early December if talks between Trump and Xi at the G20 in Argentina are not successful.	US attack
50	2018/11/9	The US and China resume trade talks.	According to the report, the two sides discussed a framework for a trade deal, or at least a "ceasefire" to reduce tensions.	US concession
51	2018/11/19	The US releases a list of proposed export controls on emerging technologies.	The rules do not specify China but are widely considered by observers to be related to US efforts to prevent China from acquiring sensitive technologies.	US attack
52	2018/12/1	The United States and China agree on a 90-day halt to new tariffs.		US concession
53	2018/12/14	China temporarily lower tariffs on US autos; resumes buying US soybean exports		China concession
54	2019/1/9	The US and China engage in three-day trade talks in Beijing.	After the talks, China's Commerce Ministry issues a statement that the talks were "extensive and established a foundation for the resolution of each other's concerns."	Both sides concession
55	2019/1/22	The US cancels preparatory talks with China.	US officials cited disagreements over the enforcement of IP rules as the reason for the cancellation.	US attack
56	2019/1/31	US and China hold 2-day trade talks in Washington D.C.	China offers to buy five million tons of US soybeans. Trump announces that he will meet with Xi in person in February.	US concession

Table A.1. (*Continued*)

	Date	Event	Brief Description/Minor Trade Issue	Good/Bad News Classification
57	2019/2/7	Trump says he will not meet with Xi before trade deal deadline.		US attack
58	2019/2/15	US and China hold trade talks in Beijing.	The US and China continue to have differences but agree to keep talking in Washington the following week.	US concession
59	2019/2/24	Deadline extended by the US.	Trump extends the March 1 deadline, leaving the tariffs on $200 billion of Chinese goods at 10% on an open-ended basis.	US concession
60	2019/3/29	US and China hold trade talks in Beijing after one month break	Officials call the trade talks constructive, with an enforcement mechanism to monitor China's commitment to trade concessions reportedly a sticking point.	Both sides concession
61	2019/4/1	China bans all types of fentanyl on April 1; China extends the suspension of additional tariffs on US autos and auto parts on March 31st.	China announces that it will ban all variants of the synthetic opioid fentanyl, effective on May 1, 2019, in what is considered a concession to the US amid trade talks	China concession
62	2019/4/5	US and China hold trade talks in Washington.	On Thursday, April 4, Trump meets with Liu He and says that the two sides will know "over the next four weeks" whether they can strike a deal. US and Chinese negotiators agree to continue talks the following week.	Both sides concession
63	2019/4/10	US and China agree to establish trade deal enforcement offices.		Both sides concession

(*Continued*)

Table A.1. (*Continued*)

	Date	Event	Brief Description/Minor Trade Issue	Good/Bad News Classification
64	2019/5/5	Trump tweets that he intends to raise the tariffs rate on $200 billion of Chinese goods to 25% on May 10.		US attack
65	2019/5/8	The Trump administration gives formal notice of its intent to raise tariffs on $200 billion of Chinese imports to 25% from 10%, effective May 10.		US attack
66	2019/5/10	The US increases tariffs from 10% to 25%.		US attack
67	2019/5/13	China announces tariff hikes on US products. China launches a tariff exemption system.	China announces that it will increase tariffs on US$60 billion worth of US goods from June 1, 2019, in response to the tariff increases imposed by the US on May 10.	China attack
68	2019/5/16	U.S. places Huawei on its 'entity list', banning it from purchasing from US companies.		U.S. Attack
69	2019/5/31	China establishes its very own 'unreliable entities' list.	China announces that it will establish its very own unreliable entities list in retaliation to the U.S. entity list.	China attack

Table A.1. (*Continued*)

	Date	Event	Brief Description/Minor Trade Issue	Good/Bad News Classification
70	2019/6/1	China increases tariffs on US$60 billion worth of products.	Tariffs of 25%, 20%, and 10%, which were first announced on May 13, 2019 are now in effect on US$60 billion worth of American goods exported to China.	China attack
71	2019/6/18	Xi and Trump rekindle trade talks ahead of the G20 meeting.		Both sides concession
72	2019/6/19	The U.S. Tariff exemption process for Chinese imports.	The Office of the U.S. Trade Representative (USTR) announces a process by which US interested parties could request the exclusion of certain Chinese products — subject to additional tariffs — as per the September 2018 list (List 3).	US concession
73	2019/6/21	The US adds another five Chinese entities to its 'entity list'.		US attack
74	2019/6/26	Tentative truce reached days before G20 Summit.		US concession
75	2019/6/29	Trade talks to restart, ban on Huawei relaxed.		Both sides concessions
76	2019/7/9	The US exempts 110 Chinese products from 25% tariffs, issues licenses to American Huawei suppliers.		US concession
77	2019/7/16	Trump threatens tariffs on US$325 billion of Chinese goods.		US attack

(*Continued*)

Table A.1. (*Continued*)

	Date	Event	Brief Description/Minor Trade Issue	Good/Bad News Classification
78	2019/7/31	Shanghai trade talks end with little progress being made.		Other types
79	2019/8/1	Trump says US will impose 10% tariffs on another US$300 billion of Chinese goods starting September 1.		US attack
80	2019/8/6	Chinese companies suspend new US agricultural product purchases; the US declares China is a currency manipulator.		Both sides attack
81	2019/8/13	The US delays tariffs on certain products and removes items from the list.	US and China agree to talk again in two weeks.	US concession
82	2019/8/23	China announces US$75 billion in tariffs on US goods, and Trump threatens tariff increases on Chinese goods.		Both sides attack
83	2019/8/26	Liu calls for calm, and Trump says talks will proceed.		China concession
84	2019/9/2	China lodges WTO tariff case against the US.	On September 1, tariffs come in force as scheduled (from both sides).	China attack

Table A.1. (*Continued*)

	Date	Event	Brief Description/Minor Trade Issue	Good/Bad News Classification
85	2019/9/5	China and the US agree to 13th round of trade talks.		Both sides concessions
86	2019/9/11	China unveils tariff exemption list for US imports.		China concession
87	2019/9/13	China exempts various agricultural products from additional tariffs.		China concession
88	2019/9/20	The US releases new tariff exemption lists, which exempt over 400 Chinese goods from tariffs.	US–China mid-level trade talks in Washington. The two countries agreed to keep communicating on related trade issues and discussed the details of the 13th round of bilateral high-level economic and trade consultations scheduled for October as reported by the state media.	US concession
89	2019/9/23	Purchase of US goods.	Chinese companies the following Monday bought about 600,000 tonnes of US soybeans, resuming modest purchases started earlier in September that would reach 3.5 million tonnes by early October — about 10% of China's annual pre-trade war volumes.	China concession
90	2019/10/7	The U.S. Commerce Department puts 28 Chinese companies on its "entity list".	Largely banning US firms from selling to them, over their alleged involvement in human rights abuses against Uighur Muslims in Xinjiang.	US attack
91	2019/10/10	High-level talks were held.	High-level delegates from China and the US meet in Washington for two days of talks.	Both sides concession

(*Continued*)

Table A.1. (*Continued*)

	Date	Event	Brief Description/Minor Trade Issue	Good/Bad News Classification
92	2019/10/11	The US announces "Phase 1" deal, delays tariff increase for Chinese goods.	As part of the Phase 1 agreement, China will reportedly purchase US$40–50 billion in US agricultural products annually, strengthen intellectual property provisions, and issue new guidelines on how it manages its currency.	US concession
93	2019/10/18	US tariff exclusion process for US$300 billion of Chinese imports.		US concession
94	2019/11/1	China wins WTO case, able to sanction US$3.6 billion worth US imports.		Other types
95	2019/11/8	US and China Talk Tariff Rollback.	The US and China negotiators talk over the phone, agree on trade points "in principle"	Both sides concession
96	2019/11/26	The US releases new regulatory guidelines for its telecom networks procedure to protect telecom networks from national security threats.	While the document makes no mention of Huawei or ZTE equipment, it might impact the two Chinese companies as they were placed on the US entity "blacklist", earlier in May, and on Friday, November 22, were voted unanimously as national security risks by the U.S. Federal Communications Commissions.	US attack
97	2019/12/13	US and China agree to 'phase one deal' just before next tariff hike.	China releases the second set of US products to be excluded from additional tariffs.	Both sides concession

Notes: This table reports the US–China trade war timeline and lists the 97 important events that happened during the US–China trade war. These events are classified into six classes: "US attack", "US concession", "China attack", "China concession", "both sides attack", and "both sides concession".

ORCID

Wenjia Zhang https://orcid.org/0000-0001-8912-7742
Julan Du https://orcid.org/0000-0002-0218-7660

References

Amiti, M, SH Kong and D Weinstein (2020). The Effect of The U.S.-China Trade War on U.S. Investment. CEPR Discussion Papers, No. 27114.

Baker, M and J Stein (2004). Market liquidity as a sentiment indicator. *Journal of Financial Markets*, 7, 271–299.

Baker, SR, N Bloom and SJ Davis (2016). Measuring economic policy uncertainty. *Quarterly Journal of Economics*, 131(4), 1593–1636.

Barberis, N, A Shleifer and R Vishny (1998). A model of investor sentiment. *Journal of Financial Economics*, 49, 307–343.

BialKowski, J, K Gottschalk and TP Wisniewski (2008). Stock market volatility around national elections. *Journal of Banking & Finance*, 32(9), 1941–1953.

Brown, SJ and JB Warner (1985). Using daily stock returns: The case of event studies. *Journal of Financial Economics*, 14, 3–32.

Clark, N and T Makse (2019). Local media tone, economic conditions, and the evaluation of US governors. *Journal of Elections, Public Opinion and Parties*, 29(1), 1–20.

De Long, J, A Shleifer, L Summers and R Waldmann (1990). Noise trader risk in financial markets. *Journal of Political Economy*, 98, 703–738.

DeVreese, CH and HG Boomgaarden (2006). Media effects on public opinion about the enlargement of the European Union. *Journal of Common Market Studies*, 44(2), 419–436.

Doms, M and NJ Morin (2004). Consumer sentiment, the economy, and the news media. *FRBSF Working Paper*, 50(96), 945–975.

Egger, PH and J Zhu (2020). The U.S.-Chinese trade war: An event study of stock-market responses. *Economic Policy*, 35(103), 519–559.

Fang, L and J Peress (2009). Media coverage and the cross-section of stock returns. *Journal of Finance*, 64(5), 2023–2052.

Ferguson, NJ, D Philip, HYT Lam and JM Guo (2015). Media content and stock returns: The predictive power of press. *Social Science Electronic Publishing*, 19(1/1), 1–31.

Garcia, D (2013). Sentiment during recessions. *Journal of Finance*, 68(3), 1267–1300.

Goulard, S (2020). The impact of the US–China trade war on the European Union. *Global Journal of Emerging Market Economies*, 12(1), 56–68.

He, C, R Chen and Y Liu (2022). US-China trade war and China's stock market: an event-driven analysis. *Economic Research-Ekonomska Istraživanja,* 35(1), 3277–3290.

He, W, Y Fang and Z Jing (2019). Research on the impact of China-US trade frictions on China's systemic financial risks. *Studies of International Finance (Chinese)*, 383(3), 34–45.

Huang, Y, C Lin, S Liu and H Tang (2019). Trade linkages and firm value: Evidence from the 2018 US-China trade war. CEPR Discussion Paper DP14173.

Karlekar, KD and J Dunham (2014). Press freedom in 2013: Media freedom hits decade low. *Freedom House Report*, http://freedomhouse.org/sites/default/files/FOTP_2014.pdf.

Li, PG and YF Shen (2010). The corporate governance role of media: Empirical evidence of China. *Economic Research Journal*, 56(4): 14–27 (Chinese).

Loughran, T and B McDonald (2011). When is a liability not a liability? Textual analysis dictionaries and 10-Ks. *Journal of Finance*, 66(1), 35–65.

Mauck, N, S Pruitt and W Zhang (2022). Words matter: Market responses to changes in U.S. and Chinese trade-related internet search frequency under different U.S. administrations. *Global Finance Journal*, 53, 1–11.

Navarro, P and W Ross (2016). Scoring the Trump economic plan: Trade, regulatory & energy policy impacts, white paper, https://assets.donaldjtrump.com/Trump_Economic_Plan.pdf.

Peress, J (2014). The media and the diffusion of information in financial markets: Evidence from newspaper strikes. *The Journal of Finance*, 69(5), 2007–2043.

Relly, JE and M Sabharwal (2009). Perceptions of transparency of government policymaking: A cross-national study. *Government Information Quarterly*, 26(1), 148–157.

Selmi, R, Y Errami and ME Wohar (2020). What Trump's China tariffs have cost U.S. companies? *Journal of Economic Integration*, 35(2), 282–295.

Stein, JC (1996). Rational capital budgeting in an irrational world. *Journal of Business*, 69(4), 429–455.

Tetlock, PC (2007). Giving content to investor sentiment: The role of media in the stock market. *Journal of Finance*, 62(3), 1139–1168.

Tetlock, PC, M Saar-Tsechansky and S Macskassy (2008). More than words: Quantifying language to measure firms' fundamentals. *Journal of Finance,* 63(3), 1437–1467.

Wang, C and J Wang (2023). Voluntary environmental regulation and stock price crash risk: Moderating role of media attention. *Polish Journal of Environmental Studies*, 32(2), 1–13.

Wang, CY and JW Wu (2015). Media tone, investor sentiment and IPO pricing. *Journal of Financial Research*, 423(9), 174–189 (Chinese).

Wang, J, J Zhang, J Li and W Liang (2023). Research on the integrated development of disability services in the greater bay area from the perspective of media functions. *Psychology Research*, 13(6), 253–265.

Wurgler, JA and MP Baker (2006). Investor sentiment and the cross-section of stock returns. *Economic Management Journal*, 61(4), 1645–1680.

You, J, B Zhang and L Zhang (2018). Who captures the power of the pen? *Review of Financial Studies*, 31(1), 43–96.

You, JX and J Wu (2012). Spiral of silence: Media sentiment and the asset mispricing. *Economic Research Journal*, 58(7), 141–152 (Chinese).

Yu, J and Y Yuan (2011). Investor sentiment and the mean-variance relation. *Journal of Financial Economics*, 100, 367–381.

Zhang, L, A Mo and G He (2016). Transparency and information disclosure in China's environmental governance. *Current Opinion in Environmental Sustainability*, 18, 17–24.

Zhang, W (2021). China-U.S. trade frictions, opinion divergence, and stock volatilities. *International Journal of Economics and Finance*, 13(6), 1–19.

Zhang, W and J Du (2022). Could state-controlled media stabilize the market during the U.S.-China trade frictions? *Credit and Capital Market*, 55(2), 153–201.

Zhang, W and J Du (2023). Trade war, media tone and market reaction asymmetry. *Journal of Chinese Economic and Foreign Trade Studies*, 16(2), 153–171.