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Discussions on

“The Echoes of Muted  
Political Speech in Financial  
Speech”

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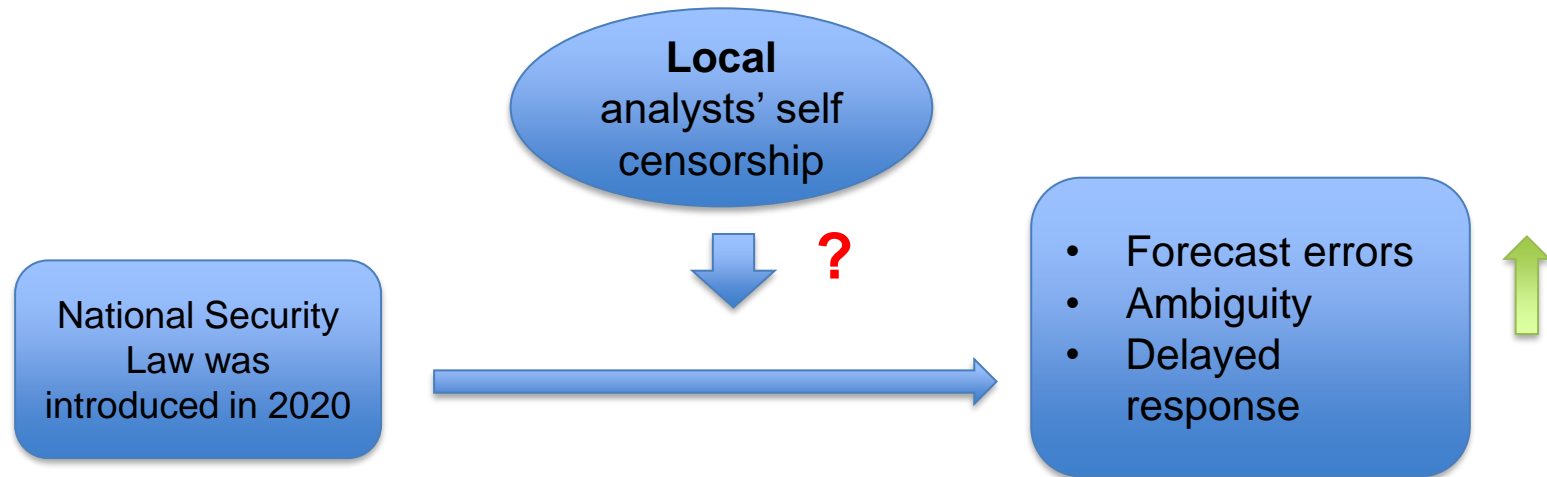


# A lot to like about the paper

- Important issues
  - The impairment of political speech spills over into financial speech
  - Freedom of speech is not only a **political right** but also a foundation for **transparent, efficient** financial markets.
- Effective methodology
  - Triple-difference regression
- Great efforts
  - Institutional background
  - Conceptual framework
  - Auxiliary analyses



# Main results



# National Security → Firm-level financial analysis?

- The scope of **national** security concerns
  - “Analysts worry even **mild criticism of China** could see them reprimanded”.
  - “Left the company... after a few more chief economists of brokerage firms revealed their negative views on the **Chinese economy**”.
- The job scope of equity research analysts
  - Objective assessments of **corporate** performance
  - Negative assessments of firm earnings or strategy are **economic, not political**, statements.
- Conceptual leap?
  - Should analysts should fear reprisal for issuing a **negative (but accurate)** forecast on a firm?
  - Any legal precedent of an analyst being prosecuted under the NSL for critical commentary on **firm** performance.

# Selection bias?

- Analyst composition likely changed around the NSL
  - Those critical of the regime may have left Hong Kong or the industry.
  - Those who stayed may be more aligned with pro-Beijing sentiment.
- A shift in who remains in the analyst pool, leading to more upbeat and pro-China reporting?
- More convincing evidence
  - Track behavioral changes within **the same analyst** before and after the NSL enactment.
  - Analyst fixed effects may not suffice.



## Several alternative explanations

- Local analysts' **career concerns**
  - Maintaining good relationships with Chinese firms—especially SOEs—can lead to future business opportunities.
  - Growing presence and influence of Chinese SOEs in Hong Kong in recent years
- Other concurrent events
  - Escalating US-China tensions or economic **uncertainty during COVID-19**
  - Local analysts might have become more conservative due to increased market volatility or reputational risk.
- Local analysts' **weaker forecasting ability** under stress
  - Local analysts may be less capable of making accurate forecasts during economic downturns

# Other comments

- Local vs. foreign analysts
  - Hong Kong (Cantonese), Mainland China (Mandarin Pinyin), **Other places** with Mandarin speaking populations (such as Malaysia, Singapore, or Taiwan).
  - **89.3%** of analysts are identified as local analysts, and **88.1%** of the reports are published by these local analysts.
  - Analysts from other places should be less subject to political repression concerns
  - Suggestion: Stricter definitions of local analysts?
- Bad years or firms?
  - Whether a firm-year observation belongs to the lowest tercile sorting on the sales growth.
  - A better measure: sales growth is the worst in the previous five years?

