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The Empirical Study on the Relationship Between Market Indices Against the Chinese Market Index with the EPU as the Intervening Variable

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A R T I C L E I N F O

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A B S T R A C T

This study aimed to explore the empirical study on the relationship between the foreign market indices against the Chinese market index with the EPU as the intervening variable where the study is targeted to provide the significant contribution to the academic as well as the investors to understand the movement of the stock market index. The previous study posed the strong suggestion on the potential positive correlation exist between the performance of the market indices with the economic policy uncertainty (EPU) being the effective intervening variable that will draw the expected of the result in the study forming the hypothesis for the study. The research methodology of quantitative method observes the application of the SPSS to analyze the data input for the secondary data collected for the market indices and EPU from 2012 to 2021 to be used to sum up the findings and result for the study. The outcome of the research findings had pointed out that the lack of suggestion with the previous study where the hypothesis is not accepted showing the opposite output had been achieved from the outcome of the study. With this, the study is summarized with the reflection on the literature review against the current findings before proceeding to draw the contribution of study as well as the suggestion for the future study that open opportunities for the future researchers

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INTRODUCTION

Background of Study

The market index is used for the representation of the overall performance of the stock prices movement that is included within the stock market of a country. The major stock market like New York Stock Exchange (NYSE) and NASQAD from US as well as Shanghai Stock Exchange (SSE) and Shenzhen Stock Exchange (SZSE) had been the commonly heard name of market indices in the world. The market index helps the investors to understand the behaviour and pattern of the stock market where the investment decision making often being reference with the movement of the stock market (Javanmard & Hasani, 2017). This is because the market index is used to predict the uncertainty within the stock market to identify the opportunity in making the right purchases of the stocks to earn higher return through the appreciation of the stock price (Grønholdt et al., 2015).

Focusing on Chinese stock market, the major stock market of Shanghai Stock Exchange (SSE) and Shenzhen Stock Exchange (SZSE) had been significant contribution to the stock exchange market of Asia with the Chinese stock market being the largest stock market in Asia. With China being the major hub of economy and business, it is common to observe the rise of the business and economic activities in China with the involvement of the foreign business including the engagement of business from Europe and North America (Grønholdt et al., 2015). Therefore, the common understanding had been established that the business economy of the performance in foreign countries will contribute to the shift in the performance of the business in the local market (Javanmard & Hasani, 2017). This had led to the expectations of the movement in the stock market in China to be influenced by the major stock market in other side of the world which include the global impact with China being the major power in the economy and business world (Altig et al., 2020).

Problem Statement

The problem statement arises from the background of the topic of research where the common expectations from the investors tend to expect the similarity in the pattern and trend where the market indices tend to share the same positive and negative impact and movement for the market index data (Altig et al., 2020). China had been one of the major market indices in Asia where the business of the public listed companies is highly being linked towards the prospect of other countries' business and economy (Alsabban & Alarfaj, 2020). Therefore, this study aimed to explore and validate the findings for this understanding where market indices for other countries will be tested against the market index in China to identify the potential significant in the correlation and relationship influencing the movement of the Chinese market index.

Besides, the economy stability tends to be highly relevance towards the market index performance where the Chinese market index is believed to show certain degree of impact with the boom and recession of the economy in the country (Spelta et al., 2020). With this, the Economic Political Uncertainty (EPU) in China will be include as the intervening variable to understand the potential linkage of the mediating role of Chinese economy between the market indices

relationship with the Chinese market index. With this, the Shanghai Stock Exchange (SSE) will be used as the indicator and measurement for the study.

Research Question

The research question arises from the contribution of the problem statement of the research where the research question had been identifying the potential significant of study from the expected outcome of the research. The research questions can be reference as below which will be reflected with the final findings of the research to ensure the research had achieved the purpose of the research.

1. What is the potential significant in impact of market indices from other countries towards the market index in China?

2. What is the correlation between the market indices from other countries towards the market index in China?

3. What is the significant of the China EPU as the intervening variables between the market indices from other countries towards the market index in China?

Motivation of Study

The reason for the research had been motivated by the problem statement where the research questions had been designed to provide the new potential knowledge that can resolve the arising problem statement as addressed in this research study. This will help to provide the significant contribution to the academic where the new knowledge will help to reveal new findings into the literature review where the outcome for this research will narrow down the gap in the literature review providing further reference for the future potential research study.

Besides, the research had been conducted with the aimed to provide the benefits on the insight for the investors. This is because the study will have unveiled the understanding on the relationship for the impact from the market indices from other countries affecting the market index in China as well as the influence of the China EPU as the moderating factor between these variables. This will help the investors to understand the potential market index behaviour for SSE which will assist in the investment decision making for the investors based on the reference on the foreign market indices.

LITERATURE REVIEW

1. Market Indices

Vintila, Gherghina & Toader (2019) defined that market indices had been the fine indicator to understand the performance of the stock market of a country. The market indices is often being used by experts to understand the potential of the pattern and prediction of the movement of the stock markets within the public listing in the market. Therefore, Vintila, Gherghina & Toader (2019) highlighted many investors are heavily reliance on the market indices from other countries to identify the future potential impact in the stock prices in the local stock market exchange. For instance, Alsabban & Alarfaj (2020) had identified that the recent Covid-19 events had seen majority of the business struggling to survive and sustain in the business where the stock prices including the market indices in majority of the countries had been experiencing negative growth or sharp fall during the time of Covid-19. This had been strong evidence where the

market indices around the world had been sharing the similar correlation and pattern with each other.

Vasileiou (2021) highlighted that major market indices like New York Stock Exchange (NYSE) had been recognized as the major influence driver to other market indices from other countries as the market performance of US tends to become the strong representation for the stock market condition in other countries. Jin (2016) had added in his perception that majority of the companies had been contributing from the MNC from US or Europe regions where the expansion of the companies will show high relevance for the business between the borders showing the potential similar pattern for the stock prices to adhere to similar impact and movement in the stock price contributing to the movement of the market index for the particular country.

Chien et al. (2015) had emphasize that the stock market within the same region will also provide the same regression and pattern over time. The business and economic situation tends to be viewed as a whole as it was evidently in the past where the Asian market will be impacting in the same manner for majority of the countries. This had been supported by the He at al. (2020) where the research had provided the findings that market index in China had been sharing the impact from the Covid-19 pandemic situation with other countries as the market index continues to decline in the beginning phase of the Covid-19 impact. This provided strong evidence that the foreign market index had been showing strong correlation against other stock market which makes no exception for Chinese stock market.

With this, the development of the hypothesis can be drawn based on the expected finding reference to the previous relevance study where the first hypothesis of H1 had been developed with the potential finding of the significant relationship between the market indices from other countries towards the market index in China. Based on the previous finding, it is understood that majority of the market indices globally had been sharing the same correlation and impact where the economic condition of the country of recession and boom will have the likeliness to be experience similar in other countries driving the same force of measure for the performance. The similar direction of the impact derived from the stock markets will proceed in drawing the second hypothesis in H2 where the suggestion will lean towards the expecting finding on the significant positive correlation between the market indices from other countries towards the market index in China in the current study. The two hypothesis of H1 and H2 will be further tested in the quantitative data analysis and further discussed for the current study.

H1: There is Significant Relationship Between the Market Indices from Other Countries Towards the Market Index in China

H2: There is Significant Positive Correlation Between the Market Indices from Other Countries Towards the Market Index in China

2. Economy Stability

The economy had been highly related to the performance of the stock prices as reference to the previous research. Chun, Cho & Ryu (2020) highlighted that the instability of the economy had certainly concerns the investors as the consequences will be felt by the market index performance as the weak economic condition will have high likeliness to see the downfall in the market index. Rehman et al. (2021) emphasizes the Economic Political Uncertainty (EPU) Index often become the guideline for the experts as it is believed that the high fluctuation of the economic condition will negatively impact the outcome for the market index. Chun, Cho & Ryu (2020) highlighted that the global economy satiation and performance had been showing alignment with majority of the business performance. Therefore, the market index that represents the stock price movement tends to show the positive and negative impact through the increase or decrease of the market index when the economic conditions fall into the boom or recession. The stability of the economic condition from major countries like US and European countries had been viewed as significant as those economies in the countries tend to highly related with the international business across the globe which will spread the influence on the consequences to the stock market of other countries as well (Chun, Cho & Ryu., 2020) Therefore, the economic stability is significant as the mediating indicator for the prediction of the local market index performance.

With reference to the previous study, there is s strong suggestion that EPU played a major role in the impact as the intervening variable where the EPU is believed to tied up with the economic condition which will provide the relevance influence towards the relationship between the performance of the market indices. The higher indication of the EPU will create the higher tendency for the research to arrive at the higher impact towards the relationship between the market indices observing the potential movement of the performance of the market indices with higher uncertainty in the market. This had led to the designation of the hypothesis at H3 which will be further tested for the significant of study through the quantitative data analysis for the study.

H3*:* The China EPU is Significant as the Intervening Variables Between the Market Indices from Other Countries Towards the Market Index in China

3. Gap in Literature Review

The gap in the literature review is defined as the discrepancies of the current study against the problem statement where the gap in the academic research will become the source of motivation to drive the need of the completion of the current research. Similar with other research study, the current study had been targeted to develop the scope of understanding on the study on the relationship between the foreign market indices against the Chinese market index where the previous study had shown lack of emphasize on the relevance of study despite having the Chinese stock market being the largest stock market in Asia. In addition, the study had extended the existing research framework to include EPU as the intervening variable to include the impact of the level of uncertainty of the economy towards the relationship between the market indices against the Chinese market index which would be significant to contribute to the gap for the academic research as the current research had been lacking on the

understanding towards the EPU area of understanding. Furthermore, the study on the coverage for the Covid-19 will become an additional plus point for the need of the current research to be conducted to bring fresh insight and knowledge towards the understanding through the exploration of the relevance impact of EPU towards the stock market performance.

METHODOLOGY

Explain your methodologies in this chapter. You should explain your research instruments, data collection processes, data analysis processes or hypothesis

1. Research Design

The research methodology for this research will be proposed for the conduct of quantitative method analysis where the quantitative analysis will observe the analysis within the numerical data using statistical output to produce the necessary empirical evidence. The preference on using the quantitative analysis for this study had been contributed by the nature of the numerical data from the market index measurement (Sharela, 2016). Besides, the quantitative analysis had been deemed to be able to generate more precise and objective result to define the outcome and significant of study for the research. Based on the research study, the deductive reasoning will be applied to provide the logical form of thinking where the conclusion of the study can be achieved. The study will be conducted based on the longitudinal study where the study focuses on the timeline of 10 years' timeline from July 2012 to June 2021 (Sekaran & Bougie, 2016). This will help the study to understand the progression of the pattern and trend for the data for the market index included for the research.

2. Data Collection Method

The data collection for the research is proposed to consider the collection of data input from the secondary data market. The secondary data market is defined as the data collected from the available source that was previously collected through the primary data collection (Cooper & Schindler, 2014). The advantage for preferring the secondary data collection is where the process in collecting the data will be more efficient and less costly (Apuke, 2017). For this study, the secondary data collection will focus on using the public online platform like the Yahoo Finance and Investing website where there is possibility of extraction of the data for the market indices. The secondary data collection will be collected from the source that is reliable and open for public to avoid any violation of the data protection and confidentiality of the information to be disclosed into the research study.

The quantitative method analysis will be used to observe the analysis inside the numerical data utilizing statistical output to generate the necessary empirical evidence. The nature of the numerical data from the market index measurement contributed to the decision to use quantitative analysis for this investigation (Sharela, 2016). Furthermore, quantitative analysis was thought to be capable of producing more accurate and objective results in order to identify the conclusion and significance of the study for the research. Based on the research study, deductive reasoning will be used to create a logical style of thinking in order to get the study's conclusion. The study will be based on a longitudinal study, with

the study focusing on a 10-year timeline from July 2012 to June 2021. (Sekaran & Bougie, 2016). This will aid the study in understanding the advancement of the pattern and trend for the market index data contained in the research.

3. Sampling Technique

The sampling technique is frequently used in conducting the research study as the sampling help to provide the selection for the representation for the target population for the purpose of study (Saunders, Lewis & Thornhill, 2015). Similar to other research studies, the sampling of the market indices for other countries will be included for the purpose of study on the target population. Based on the scope of research, the purposive sampling method will apply where the selection of samples will be dependent on the judgment and biased opinions of the researcher (Apuke, 2017). This will help the research to choose the major market indices to include for the research to test against the Chinese market index. Without the purposive sampling, the small market indices may affect the outcome of the findings which could mislead the result of the data analysis.

With the purposive sampling in place, there will be selected of four different foreign market indices that played a major stock market representing the global market exchange. This would include the New York Stock Exchange (NYSE) from US, London Stock Exchange (LSE) from UK, Nikkei Market Index from Japan and S&P/ASX 200 from Australia. With these market indices, the relationship will be proceeding to be tested against the Shanghai Stock Exchange (SSE) in China. The data that will be included into the timeframe for the research study will see the application of the monthly data from 2012 to 2021 to provide the reflection on the exploration of the 10 years' timeline.

The research data collecting is recommended to examine the gathering of data input from the secondary data market. The secondary data market is defined as data gathered from available sources that was previously gathered through primary data collecting (Cooper & Schindler, 2014). The advantage of adopting secondary data gathering is that the data collection procedure will be more efficient and less expensive (Apuke, 2017). Secondary data collection for this project will be focused on using public online platforms such as Yahoo Finance and Investing, where data for market indexes may be extracted. To avoid any violations of data protection and confidentiality of the information to be shared in the research study, secondary data will be acquired from a trusted and public source.

4. Data Analysis

The data analysis is the main component to reflect the research findings. The quantitative analysis will see the analysis using the statistical output as generated from the SPSS software. Firstly, the descriptive analysis will demonstrate the characteristics and attributes for the data to identify the pattern and the spread of the data (Gjermini, 2016). Moving on, the reliability analysis will be used to identify the consistency of the data to avoid the inclusion of data error that could negatively impact the result of the data (Sharela, 2016). The Table 1 below had shown the reference for the Cronbach's coefficient alpha for the measurement of the reliability analysis for the data collected for the study. With this, the minimum of 70% will be setting the benchmark for the reliability analysis

to achieve a pass to proceed with the data analysis.processes, and data display processes.

Table 1. Cronbach's Coefficient Alpha Interpretation (Cresswell et al., 2003)

Cronbach's Coefficient Alpha	Internal Consistency
> 0.9	Excellent
> 0.8	Good
> 0.7	Acceptable
> 0.6	Questionable
> 0.5	Poor
< 0.5	Unacceptable

The correlation analysis will be conducted to identify the potential significant positive or negative correlation between the variables (Gogtay & Thatte, 2017). The Table 3.2 provided the reference on the measurement for the correlation analysis based on the Pearson Correlation Coefficient as demonstrated in the table. In addition, the tolerance level of 5% will be used as the reference for the p-value testing to identify the significant in the correlation between the two variables.

Table 2. Interpretation of Pearson Correlation Coefficient (r) (Gogtay & Thatte, 2017)

R	Strength
0-0. 19	Very weak
0. 20-0. 39	Weak
0. 40-0. 59	Moderate
0. 60-0. 79	Strong
0. 80-1. 00	Very strong

Last but not the least the regression analysis will observe the use of the multiple regression model where more than one independent variables will be tested against one dependent variable to identify the potential significant in the relationship between the independent variables against the dependent variable (Sekaran & Bougie, 2016). The tolerance level of 5% will be used as the benchmark for the significant in the relationship based on individual variable.

Data Analysis

1. Result of the Data

The data analysis for this research study will be based on the research methodology as proposed in the previous section where the quantitative analysis will be performed according to the framework for the research.; The data for the foreign market index including the New York Stock Exchange (NYSE) from US, London Stock Exchange (LSE) from UK, Nikkei Market Index from Japan and S&P/ASX 200 from Australia as well as Shanghai Stock Exchange (SSE) with the timeline of 2012 to 2021 to contribute to the data analysis and findings to address the purpose and aim of the study.

2. Descriptive Analysis

Table 3. Descriptive Analysis

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
NYSE	109	7863.90	16602.30	11511.5670	1849.10971
Nikkei Market Index	109	8695.06	29178.80	19138.4783	4623.46828
S&P/ASX 200	109	4269.20	7392.60	5723.7514	654.81405
LSE	109	5577.27	7748.76	6752.1758	545.94300
SSE	109	1979.21	4611.74	2906.5052	554.02856
Valid N (listwise)	109				

The Table 3 provides the descriptive analysis for the data input for the market indices for the New York Stock Exchange (NYSE) from US, London Stock Exchange (LSE) from UK, Nikkei Market Index from Japan and S&P/ASX 200 from Australia as well as Shanghai Stock Exchange (SSE) which the information on the minimum point, maximum point, mean and standard deviation where the descriptive of the analysis on the data showed no abnormality for the study.

3. Reliability Analysis

Table 4. Reliability Analysis

Reliability Statistics	
Cronbach's Alpha	N of Items
.879	5

The reliability analysis is used to test the consistency and the reliability of the data input for the quantitative analysis. As proposed in the research methodology, the benchmark for the reliability analysis is set at 70% as the minimum acceptable point where the result should be above 70% to proceed further with the data analysis for the research. This is to ensure the validity and reliability of the data input to avoid misleading result and empirical evidence.

With reference to table 42, the achievement of the reliability analysis base on the data is recorded at 87.9% which is above the benchmark set which translate that the data is acceptable and reliability for the quantitative analysis.

4. Correlation Analysis

Table 5. Correlation Analysis

Correlations						
		NYSE	Nikkei Market Index	S&P/ASX 200	LSE	SSE
NYSE	Pearson Correlation	1	.935**	.957**	.559**	.602**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	109	109	109	109	109
Nikkei Market Index	Pearson Correlation	.935**	1	.887**	.501**	.739**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	109	109	109	109	109
S&P/ASX 200	Pearson Correlation	.957**	.887**	1	.622**	.562**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	109	109	109	109	109
LSE	Pearson Correlation	.559**	.501**	.622**	1	.309**
	Sig. (2-tailed)	.000	.000	.000		.001
	N	109	109	109	109	109
SSE	Pearson Correlation	.602**	.739**	.562**	.309**	1
	Sig. (2-tailed)	.000	.000	.000	.001	
	N	109	109	109	109	109
**. Correlation is significant at the 0.01 level (2-tailed).						

The correlation analysis is the initiative to explore the relationship between two variables where the study will make use the correlation analysis to explore the correlation between the independent variable and dependent variable, which is the foreign market indices against the Chinese market index. Based on the output in Table 4.3, the market indices of New York Stock Exchange (NYSE) from US, London Stock Exchange (LSE) from UK, Nikkei Market Index from Japan and S&P/ASX 200 from Australia are sharing positive correlation against the Shanghai Stock Exchange (SSE) where all the correlation is identified to be significant recording p-value exceeding the tolerance of 5%. With reference to the strength of the correlation based on the Pearson's Correlation Coefficient, only the Nikkei Market Index had observed strong positive correlation while the NYSE and S&P/ASX 200 are having moderate positive correlation and the LSE is having weak positive correlation against the SSE.

5. Regression Analysis

Table 6. Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.780[a]	.609	.594	.05428
a. Predictors: (Constant), LSE, Nikkei Market Index , S&P/ASX 200 , NYSE				

The regression analysis is aimed to define the relationship between the independent variables of the New York Stock Exchange (NYSE) from US, London Stock Exchange (LSE) from UK, Nikkei Market Index from Japan and S&P/ASX 200 from Australia against the dependent variable on the Shanghai Stock Exchange (SSE) constructing the multiple regression model for the study. Based on the regression model, the R Square is recorded at 0.609 which means that the independent variables included in the study will be able to express 60.9% on the output for the defined dependent variable for the regression model.

Table 7. ANOVA Analysis

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.477	4	.119	40.444	.000[b]
	Residual	.306	104	.003		
	Total	.783	108			
a. Dependent Variable: SSE						
b. Predictors: (Constant), LSE, Nikkei Market Index , S&P/ASX 200 , NYSE						

The Table 7 is aimed to reflect on the ANOVA analysis where the ANOVA analysis helps to assess the potential significant in the regression model for the stud. With reference to the statistical output, the p-value recorded is 0.000 which is below the tolerance level of 5% which indicates that the regression model is significant to be use for the purpose of study where the quantitative analysis can proceed to perform the hypothesis testing as derived from the regression model.

Table 8. Regression Analysis

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.588	.633		4.086	.000
	NYSE	-.841	.345	-.681	-2.440	.016
	S&P/ASX 200	-.051	.392	-.030	-.130	.896
	Nikkei Market Index	1.031	.128	1.398	8.056	.000
	LSE	.018	.190	.008	.095	.924
a. Dependent Variable: SSE						

Moving to the Table 8, the table showed the overall details for the statistical output for the regression model for the study. With the individual assessment on the independent variables included in the study, the market indices for the NYSE and Nikkei Market Index had been recording the p-value that is below the tolerance level of 5% which translate to the interpretation that there is presence of the significant relationship against the SSE market index. However, on the other hand, the p-value recorded for S&P/ASX 200 and LSE at 0.806 and 0.924 respectively which is far exceeding the tolerance level of 5% which means the factor of the Australian market index show no influence towards the change in the movement of the SSE market index.

Table 9. China EPU as Intervening Variable

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
2	(Constant)	2.602	.640		4.064	.000
	NYSE	-.845	.347	-.684	-2.436	.017
	Nikkei Market Index	1.030	.129	1.397	7.998	.000
	S&P/ASX 200	-.062	.398	-.036	-.156	.876
	LSE	.029	.198	.012	.144	.886
	China EPU	.004	.019	.015	.196	.845
a. Dependent Variable: SSE						

The Table 9 showed the result in testing the China EPU as part of the intervening variable for the regression model for the independent variables of the New York Stock Exchange (NYSE) from US, London Stock Exchange (LSE) from UK, Nikkei Market Index from Japan and S&P/ASX 200 from Australia against the dependent variable on the Shanghai Stock Exchange (SSE). The result in the Table 9 is showing the p-value of 0.845 which is far exceeding the tolerance level of 5% proving that there is no significant influence in the moderating role between the foreign market indices and the Chinese stock market.

RESULT AND DISCUSSION

H1: There is Significant Relationship Between the Market Indices from Other Countries Towards the Market Index in China

The market indices are believed to have significant impact towards the changes and movement o the market index for SSE in China. The empirical evidence as tested with the quantitative analysis had provide the insight where only NYSE market index from US and Nikkei Market Index from Japan are having significant positive relationship against the SSE where the p-value recorded through the correlation analysis and regression analysis had been showing the agreement the NYSE and Nikkei Market Index are sharing the similar pattern of movement for the study. On the other hand, S&P/ASX 200 and LSE only shared significant positive correlation but not significant in the influence and impact towards the market index of SSE. With the spilt result showing both agreement and disagreement with the previous study, the hypothesis of H1 is accepted in the null hypothesis as there is no significant relationship between the market indices from other countries towards the market index in China with only half of the market indices tested are showing alignment with the previous study.

Vasileiou (2021) highlighted that major market indices like New York Stock Exchange (NYSE) had been recognized as the major influence driver to other market indices from other countries as the market performance which may turned out to be true as the NYSE from the US stock market often represent the performance of the global stock market. However, the similar may not apply for all the market indices as there are potentially many other external variables that will affect the outcome for the SSE market index showing the assumption on the foreign market indices being able to impact the movement of SSE is not fully true. Alsabban & Alarfaj (2020) had identified that the recent Covid-19 events had seen majority of the business struggling to survive and sustain in the business where the stock prices including the market indices in majority of the countries had been experiencing negative growth or sharp fall during the time of Covid-19. With the study had included the timeline of the Covid-19 had failed to see the similar pattern as well between the relationship with other foreign market indices against the SSE market index. This could be potentially that the impact from the recession and Covid-19 restriction had been very different to each region and country based on their way of handling the situation and economy which result in the discrepancies in the pattern for the market indices. Therefore, there is no strong influence for one market index to affect another market index's performance due to the government policies and business potential.

H2: There is Significant Positive Correlation Between the Market Indices from Other Countries Towards the Market Index in China

Based on the correlation analysis, all the independent variables of New York Stock Exchange (NYSE) from US, London Stock Exchange (LSE) from UK, Nikkei Market Index from Japan and S&P/ASX 200 from Australia had been observing significant positive correlation against the Shanghai Stock Exchange (SSE) in China. This would mean that all the market indices included in the study are showing the agreement where the market indices are sharing the similar direction and positive correlation which will see the changes moving in sync with

the stock market from other countries in comparison with China. With this, the null hypothesis for H2 is rejected and the alternative hypothesis for H2 is being accepted agreeing with the previous study.

Chien et al. (2015) had emphasized that the stock market within the same region will shared the same pattern and trend with the positive relationship which is proven to be true where He at al. (2020) also believed that from his previous study where the Chinese stock market will have high tendency to share the similar movement with other stock market where the business condition are often facing the similar challenges and opportunities globally. Based on the empirical evidence, there is a potential where the market indices tested are major market indices in the global level where the stock market will tend to follow the global trend. The linkage for the impact may not be significant as suggested from the regression analysis where only the NYSE and Nikkei Market Index are able to influence the SSE market index but the direction of the performance of the market indices during the up and down time are not being doubt as the progression of the business tends to be in similar alignment in terms of the positive correlation.

H3: The China EPU is Significant as the Intervening Variables Between the Market Indices from Other Countries Towards the Market Index in China

The regression analysis had further include the China EPU as the intervening variable for the regression model as defined for this study where the independent variables of NYSE, LSE, Nikkei Market Index and S&P/ASX 200 are tested against the dependent variable of SSE market index where the p-value had been unfavourable exceeding the tolerance level of 5% indicating there is no moderating role for China EPU for the model. This would result in the acceptance of the null hypothesis for H3 where China EPU is not significant as the intervening variables between the market indices from other countries towards the market index in China. This could be mainly driven by the factor where the economy instability means the higher degree of uncertainty which apply in this model reflecting the inability to predict the relationship and impact. The China EPU are more to the reference to assess the risk and uncertainty in the economy rather than representing the economic situation unlike the Gross Domestic Products (GDP) which lead to the potential discrepancies with the increase of the EPU and does not agree with the initial understanding that stable economy will contribute to better performance of market index as the economy instability can be viewed as very subjective factor for the linkage towards the stock market.

Theoretical and Managerial Implication

According to the study, the evaluation of the technique was vital to the process of contributing the significance of study from the research outcome. The research employed quantitative technique, with historical data from 2012 to 2021 included as part of the quantitative analysis. The conclusion gave valuable knowledge that will aid the relevant parties in future reference and decision making.

For example, the research results gave new forms of information based on the research questions addressed for this study, which is significant to contribute to the academic towards the field of study to improve comprehension on this issue. Furthermore, the research framework for this study may be used as a

reference to create fresh research data using same approach to test on various populations of data to provide new information. Furthermore, the indicator of market indices from other nations vs the SSE market index was insightful, as investors would acquire extra information to grasp prospective references to refer to and enabling them to make the appropriate investment selection in the future.

With this, the reflection for the research objectives as drawn in the initial stage of the study had been identified to discussed to ensure the achievement of the purpose and aim for the study.

RQ1: What is the Potential Significant in Impact of Market Indices from Other Countries Towards the Market Index in China?

The empirical evidence of the research does not find any potential contributing impact of market indices from other countries towards the market index in China as not all the market indices sampled in the study had been showing significant relationship with the SSE. This would mean that the SSE market index movement and behavioural are purely independent and remained unaffected by the movement and performance of the market indices around the world.

RQ2: What is the Correlation Between the Market Indices from Other Countries Towards the Market Index in China?

Based on the result in the data analysis, the quantitative approach had identified there is significant positive correlation among all the market indices as included in the research having the same direct relationship against the SSE market index. This suggested that there is potential alignment where the market indices tend to share the same pattern and trend where the movement of the market index had been sharing the same behaviour moving on both the positive side and the negative side.

RQ3: What is the Significant of the China EPU as The Intervening Variables Between the Market Indices from Other Countries Towards the Market Index in China?

The China EPU was included as the intervening variables for the study between the market indices from other countries towards the market index in China where the result output showed nothing significant of the China EPU reflecting its moderating role for the framework. This suggested that the degree of economy uncertainty had been far from the judgement to use as reference to predict and forecast the movement of the SSE market index in China.

Future Research Direction and Limitation of Study

1. Contribution of Study

Based on the study, the evaluation on the approach had been significant to the process to contribute the significant of study from the outcome of the research. The research had adopted the use of quantitative methodology where the historical data from 2012 to 2021 had been utilized as part of the quantitative analysis. The outcome had provided useful insight which will contribute to the relevant parties in their future reference and decision making.

For instance, the result for the research had provided new form of information based on the research questions as addressed for this study which is important to contribute to the academic towards the field of study to enhance the

understanding on this topic. Besides, the research framework for this research can be used further as the reference to form new research data using the similar methodology to test on other population of data to induce new knowledge. Furthermore, the indicator of the market indices from other countries against the SSE market index had been insightful as the investors will gain the additional knowledge to understand the potential reference to refer to and assisting them to make the rightful investment decision in the future.

CONCLUSION AND RECOMMENDATION

Throughout the experience of this research, there are few potentials improvement that can be highlighted to fine tune in the future research. Firstly, is focus of the study where this study focus to understand the potential impact towards the SSE market index based on the foreign market indices which could be further tested with the sector within the SSE as the specific industry or sector of business may provide a different insight and impact depending on the business nature allowing new information to be achieved from the outcome of the research.

Besides, the market indices from other countries can be replaced using economic indicators including China and global which will provide the useful insight to explore the potential understanding on the linkage and relationship on the economic indicators such as GDP, unemployment rate, income level towards the changes in the SSE market index providing further reference knowledge for the study.

SUGGESTION

Throughout the course of this research, there have been a few possible improvements that might be identified for future research. First, the study's focus is to understand the potential impact on the SSE market index based on foreign market indices, which could be further tested with the sector within the SSE as the specific industry or sector of business may provide a different insight and impact depending on the nature of the business, allowing new information to be obtained from the research's findings.

Furthermore, market indices from other countries can be replaced with economic indicators from China and the rest of the world, which will provide a useful insight into the potential understanding of the linkage and relationship between economic indicators such as GDP, unemployment rate, and income level and changes in the SSE market index, providing additional reference knowledge for the study.

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