

Targeted demand-side stimulus and the equity market: evidence from China's mortgage interest-subsidy for first-time homebuyers

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Abstract. On 29 September 2026 China's Ministry of Finance, the People's Bank of China and the National Financial Regulatory Administration issued the *Notice on Implementing the Residential Home-Purchase Mortgage Interest-Subsidy Policy* (Caijin [2026] No. 95). From 1 October 2026 the central government subsidizes, for up to five years, one percentage point of the annual interest on newly issued commercial mortgages used by first-time buyers to purchase homes of at most 120 square metres and no more than RMB 1.5 million, on subsidized principal of up to RMB 1 million. This paper studies the stock-market response of the A-share real-estate sector to this sharply dated, narrowly targeted demand-side intervention. Using a single-factor market model on the 69 constituents of the CSI All-Share Real Estate Index, the estimated average abnormal return is +3.81% on the event day (29 September 2026), significant at the 1% level under the cross-sectional t (10.67), Patell (12.90) and Boehmer–Masumeci–Poulsen (10.48) tests. An equal-weighted portfolio gives an identical estimate, 94.2% of firms recorded positive abnormal returns, and the aggregate change in market value is about RMB 32.6 billion. The sector had already risen about 4.2% over the prior five sessions and gave back about 1.8% over the five sessions after the National Day holiday. The pattern is consistent with anticipatory pricing of a broader Q3-2026 housing-policy cluster and a partial reversal once the subsidy's modest scope was digested; even a fiscally small, targeted measure can move sector valuations materially, but only partly durably.

Keywords: event study, housing policy, mortgage interest subsidy, abnormal returns

1. Introduction

Housing demand management has moved to the centre of Chinese macroeconomic policy. After several years of weakening transactions, the authorities have shifted from supply-side restrictions toward measures intended to revive *rigid* (first-time and basic) housing demand. The instrument examined here is unusual in the international policy toolkit: rather than cutting policy rates, relaxing purchase restrictions, or guaranteeing developer credit, the state directly *buys down* a slice of the household's mortgage interest bill. On 29 September 2026 the Ministry of Finance, the People's Bank of China and the National Financial Regulatory Administration jointly issued Caijin [2026] No. 95, granting an annualized one-percentage-point interest

subsidy—about one-third of the prevailing first-home mortgage rate—for up to five years, on up to RMB 1 million of principal per household, for new commercial mortgages on homes no larger than 120 square metres and no more than RMB 1.5 million in price. The programme is provisional for one year and is cost-shared 90:10 between the central and local governments.

This paper asks a simple question: how did the equity market price this targeted demand-side subsidy? The question matters for three reasons. First, the subsidy is small in fiscal terms—on a RMB 1 million loan it saves the borrower at most about RMB 50,000 over five years—so whether it moves asset prices at all is an empirical test of whether targeted, non-rate demand measures are "priced" by investors. Second, the policy is sharply dated and its eligibility criteria are public, which gives unusually clean identification for an event study. Third, the answer speaks to the transmission of housing policy to developer equity values, a channel of first-order importance for the balance sheets and financing conditions of the sector.

China's housing boom and its regulation have attracted substantial attention. The macro-financial literature documents the scale and drivers of the boom [1, 2], while a domestic literature uses event-study and policy-evaluation methods to measure how regulation and intervention move housing prices and real-estate equity values [3-5]. A related strand focuses on specific interventions—purchase restrictions and pandemic-era monetary easing—and on their heterogeneous effects [6-8]. This paper adds to that work by pricing a specific, sharply dated demand-side instrument.

This study examines the 69 constituent firms of the CSI All-Share Real Estate Index (ticker 931775), the broad A-share real-estate sector benchmark, using the standard event-study apparatus [9-11]. A single-factor market model is estimated over the 240 trading days ending eleven sessions before the event, and abnormal returns are computed around the announcement. Because the shock is common to all sample firms, the cross-sectional t , the Patell [12] and Boehmer–Masumeci–Poulsen [13] statistics, and the Corrado [14] rank test are reported, following Kolari and Pynnönen [15] in treating cross-sectional correlation as the reason to favour the variance-robust statistic and portfolio aggregation.

The results show a large, robust, sector-wide revaluation on the announcement day itself: an Average Abnormal Return (AAR) of +3.81% on 29 September 2026, with 94% of firms positive and an aggregate market-value change of roughly RMB 32.6 billion. The result is invariant to winsorizing, to the treatment of newly listed firms and suspended observations, and to portfolio-based aggregation. Two caveats qualify any strong causal reading. The sector had already risen about 4.2% in the five sessions before the announcement, and it declined about 1.8% in the five sessions after the National Day holiday. Because other housing measures—notably a central-bank and regulator *Opinion on Reforming Residential Credit Management* and a *Notice on Improving the Commercial Housing Sales System*—circulated in the same quarter, the pre-event run-up plausibly reflects anticipation of a broader policy package rather than the subsidy alone.

This paper makes three contributions. First, it documents the equity price of an instrument—a government mortgage interest buydown—that has not, to the author's knowledge, been evaluated in the Chinese setting. Second, it quantifies the economic magnitude of a deliberately small intervention, showing that the announcement effect (RMB 32.6 billion) is an order of magnitude larger than the programme's narrow fiscal footprint, consistent with a signalling or expectation channel. Third, it is transparent about the limits of the design: an isolated, dated announcement embedded in a policy cluster cannot support a clean causal claim about the subsidy alone, and the pre-announcement drift and post-announcement reversal are reported explicitly.

The remainder of the paper is organised as follows. Section 2 describes the policy and its institutional context. Section 3 presents the data and sample. Section 4 sets out the empirical framework. Section 5 reports

the results, Section 6 the robustness checks, and Section 7 discusses interpretation and limitations. Section 8 concludes.

2. Background: the mortgage interest-subsidy policy

Caijin [2026] No. 95, published on 29 September 2026 and effective from 1 October 2026, provides a fiscal interest subsidy on *newly issued* commercial residential mortgages. A household qualifies if (i) the loan is a new commercial mortgage used to purchase a first home (not a refinancing of an existing loan), (ii) the purchased dwelling has a gross floor area of no more than 120 square metres, and (iii) the purchase price is no more than RMB 1.5 million. The subsidy equals one percentage point per annum of the loan principal, for a term of up to five years, on a per-household principal cap of RMB 1 million. At prevailing first-home mortgage rates the subsidy is equivalent to roughly a one-third reduction in the interest rate. Banks apply the subsidy automatically at loan disbursement, and the cost is borne 90% by the central government and 10% by local governments, for a provisional one-year implementation window.

The subsidy did not arrive in isolation. Over the third quarter of 2026 the authorities advanced several complementary housing measures. The People's Bank of China and the National Financial Regulatory Administration issued an *Opinion on Reforming and Improving Residential Credit Management to Accelerate the Construction of a New Model for Real-Estate Development*, and the Ministry of Housing, the Ministry of Natural Resources and the regulator issued a *Notice on Improving the Commercial Housing Sales System* that promotes sales of completed units. Together these measures formed a policy cluster aimed at stabilising demand and restructuring the sector's financing and sales model. The mortgage interest subsidy is thus best understood as one, fiscal, component of a multi-instrument package.

This institutional feature is central to interpretation. Because the component measures were publicised at different dates within the same quarter and were widely anticipated, an event study around any one of them measures the market's response to the *cluster's* information flow as much as to the isolated instrument. Section 7 returns to this point.

The primary sources for the event are the Ministry of Finance's publication of the notice and its accompanying question-and-answer with reporters, both dated 29 September 2026, together with the State Council gazette text. Secondary sources include the wire reports of China National Radio and Southern Metropolis Daily and the implementing announcement of China Construction Bank (Appendix A).

3. Data and sample

The treated universe is the set of constituent firms of the CSI All-Share Real Estate Index (931775) as of the index snapshot of 29 September 2026. The index is the broad, float-adjusted benchmark for A-share real-estate equities and comprises 69 firms—36 listed on the Shanghai Stock Exchange and 33 on the Shenzhen Stock Exchange (including two ChiNext names). All constituents are included; no firm is excluded, and every constituent has a complete return record over the sample window. The index is constructed and published by China Securities Index Co., and its constituent list is downloadable at <https://www.csindex.com.cn/#/indices/family/list>.

Daily individual returns are taken from the CSMAR *Daily Stock Returns* file (TRD_Dalr): closing price, total market value (in thousands of RMB), the daily return with cash dividends reinvested, and trading status. The market benchmark is the value-weighted comprehensive daily market return with cash dividends reinvested for market classification 53—Shanghai/Shenzhen A-shares including the ChiNext and STAR boards—from the CSMAR *Comprehensive Daily Market Returns* file (TRD_Cndalym). Classification 53

ensures that the two ChiNext constituents are spanned by the benchmark. The panel covers 3 June 2025 to 14 October 2026, comprising 22,898 firm-day observations across 332 trading days with no missing benchmark observations.

The notice was published on 29 September 2026 (a Tuesday). The 29th was the last full trading session before the National Day holiday; markets were closed from 1 to 7 October and reopened on 8 October 2026. The event day is defined as $t = 0 = 29$ September 2026, the session in which the notice became public and in which, as shown below, the sector recorded its anomalous return. The benchmark specification therefore places $t = -1$ at 28 September 2026 and $t = +1$ at 30 September 2026, with $t = +2$ at 8 October 2026 after the holiday. Table 1 summarises the sample and the event calendar, and Appendix B gives the full event-time-to-calendar mapping.

Table 1. Sample and event summary

Item	Value
Sector benchmark	CSI All-Share Real Estate Index (931775), snapshot 2026-09-29
Number of firms	69 (36 SSE, 33 SZSE; 2 ChiNext)
Event day ($t = 0$)	2026-09-29
Estimation window	2025-09-16 to 2026-09-11 (240 trading days)
Return / market source	CSMAR TRD_Dalry; TRD_Cndalym (type 53)
Panel	22,898 firm-days, 332 trading days (2025-06-03 to 2026-10-14)
Combined market value at $t = -1$	RMB 793.0 billion
Mean / median market-model beta	0.813 / 0.783

Note: Combined market value is the sum of firms' total market value at the last pre-event session.

4. Empirical framework

For each firm i , the single-factor market model is estimated over the estimation window $[-250, -11]$ trading days relative to the event (Equation (1)),

$$R_{i,t} = \alpha_i + \beta_i R_{m,t} + \varepsilon_{i,t} \quad (1)$$

giving 240 observations and ending eleven sessions before $t = 0$ to avoid contamination. $R_{i,t}$ is the cash-dividend-reinvested individual return and $R_{m,t}$ the value-weighted market return. Abnormal returns are the estimation-window residuals (Equation (2)),

$$AR_{i,t} = R_{i,t} - (\hat{\alpha}_i + \hat{\beta}_i R_{m,t}) \quad (2)$$

the cumulative abnormal return over the window $[t_1, t_2]$ is given by (Equation (3)),

$$CAR_i(t_1, t_2) = \sum_{t=t_1}^{t_2} AR_{i,t} \quad (3)$$

the average abnormal return is (Equation (4)),

$$AAR_t = \frac{1}{N} \sum_{i=1}^N AR_{i,t} \quad (4)$$

and the cumulative average abnormal return is (Equation (5)),

$$CAAR(t_1, t_2) = \frac{1}{N} \sum_{i=1}^N CAR_i(t_1, t_2) = \sum_{t=t_1}^{t_2} AAR_t \quad (5)$$

where the identity $CAAR = \Sigma AAR(t)$ is asserted in code.

Because the shock is common to all sample firms, residuals are cross-sectionally correlated and the plain cross-sectional t -test is known to be unreliable. Four statistics are therefore reported. The cross-sectional t standardises the mean CAR by the cross-sectional dispersion of firm $CARs$. The Patell [12] statistic standardises each abnormal return by its forecast-error standard error and aggregates across the window. The Boehmer, Masumeci, and Poulsen [13] statistic scales the mean standardised CAR by the cross-sectional dispersion of the standardised $CARs$ and is robust to event-induced variance; it is treated as the preferred test. As an auxiliary non-parametric check, the Corrado [14] rank statistic is computed. Following Kolari and Pynnönen [15], cross-sectional correlation is treated as the primary reason to favour the variance-robust statistic and the portfolio approach.

Both firm-average and equal-weighted portfolio $CARs$ are reported. The economic magnitude is the aggregate change in market value (Equation (6)),

$$\Delta V = \sum_{i=1}^N CAR_i \times MV_{i,t-1} \quad (6)$$

where MV is total market value at the last pre-event session.

The base window, chosen ex ante from the policy's sharply dated publication, is the single event day, $[0, 0]$. The windows $[-1, +1]$, $[-2, +2]$ and $[-5, +5]$ are also reported. Figure 1 plots the event-time path over the full window $[-5, +5]$, and the wide window is decomposed into pre-event, event-day and post-event segments.

5. Result

Table 2 reports the CAAR and test statistics for each window. On the event day the sector earned an average abnormal return of +3.81%, statistically distinguishable from zero at well beyond the 1% level by every test: cross-sectional $t = 10.67$, Patell $Z = 12.90$, and BMP $Z = 10.48$. The equal-weighted portfolio CAR is +3.81%, identical to the firm average, and 94.2% of the 69 firms recorded positive abnormal returns, with a cross-sectional median of +3.34%. The breadth of the reaction—nearly the entire sector moving in the same direction by a similar magnitude—is the signature of a sector-wide information event rather than firm-specific news. The three-day window $[-1, +1]$ yields a CAAR of +5.34% (BMP $Z = 7.79$) and the wide window $[-5, +5]$ plotted in Figure 1 yields +6.14% (BMP $Z = 8.12$). The $[-2, +2]$ window, at +3.90%, is smaller than $[0, 0]$ because it averages the event-day jump with the negative returns at $t = -2$ and $t = +4$.

Table 2. Cumulative average abnormal returns by window ($t = 0 = 2026-09-29$)

Window	N	CAAR (%)	Cross-sect. t	Patell Z	BMP Z	ΔV (RMB bn)
$[0, 0]$	69	3.81	10.67	12.90	10.48	32.57
$[-1, +1]$	69	5.34	7.24	11.09	7.79	48.27
$[-2, +2]$	69	3.90	5.21	6.38	5.78	40.18
$[-5, +5]$	69	6.14	7.11	6.49	8.12	49.30

Note: ΔV is the aggregate change in market value (Equation (6)). The equal-weighted portfolio CAR equals the firm-average CAAR to four decimals for every window.

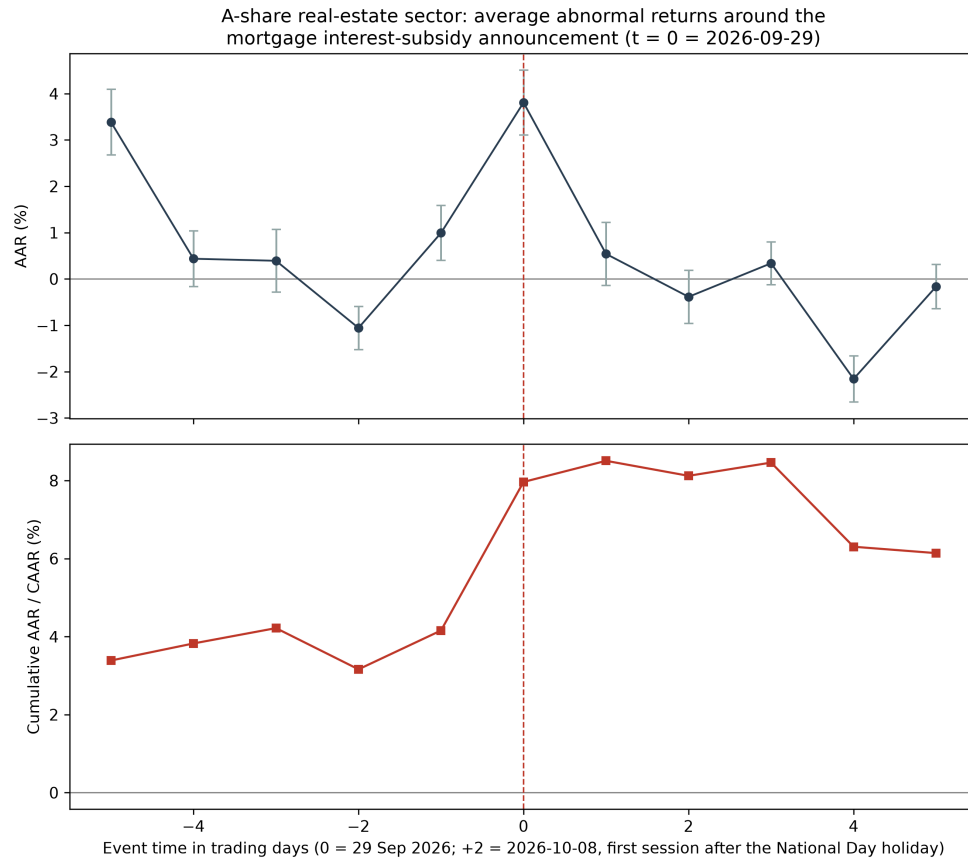


Figure 1. Average Abnormal Returns (AAR, top) and Cumulative Average Abnormal Returns (CAAR, bottom) for the 69 constituents of the CSI All-Share Real Estate Index around the mortgage interest-subsidy announcement, event window $[-5, +5]$. The vertical dashed line marks the event day ($t = 0 = 29 \text{ September } 2026$); error bars are pointwise 95% confidence intervals. Source: authors' calculations

Figure 1 plots the daily AARs with pointwise 95% confidence intervals and the cumulative path over $[-5, +5]$. The largest single-day abnormal return in the window is on the event day itself (+3.81%), and it is the only day whose confidence interval lies entirely away from zero by a wide margin. There is also a pronounced pre-announcement run-up: the AAR is +3.39% at $t = -5$ (21 September 2026) and +0.99% at $t = -1$ (28 September), and the pre-window $[-5, -1]$ accumulates to +4.16% (Table 4), so the cumulative abnormal return had already reached roughly +4.2% before the notice was published. After the event the sector fades: the AAR is +0.54% on 30 September ($t = +1$), -0.38% on 8 October ($t = +2$) and -2.16% on 12 October ($t = +4$), and the post-window $[+1, +5]$ accumulates to -1.82% (Table 4). The cumulative abnormal return peaks at +8.51% at $t = +1$ and settles at +6.14% by the end of the window.

Multiplying each firm's event-day CAR by its pre-event market value and summing gives an aggregate abnormal change in sector market capitalisation of approximately RMB 32.6 billion (Table 2). For scale, the 69 firms had a combined market value of about RMB 793 billion at $t = -1$, so the event-day revaluation is roughly 4.1% of that base. The largest percentage gains are concentrated in mid-cap developers with mass-market exposure, while the largest absolute revaluations accrue to the larger developers (Table 3).

Table 3. Largest and smallest event-day abnormal returns

Rank	Code	Firm	CAR [0, 0] (%)
1	300917	Tefa Service	+13.45
2	600325	Huafa Industrial	+10.19
3	000002	China Vanke	+10.12
4	600657	Cinda Real Estate	+10.05
5	002244	Binjiang Group	+9.96
65	600605	Huitong Energy	-0.78
66	002285	WorldUnion	-1.73
67	600162	HeungKong Holding	-2.29

Note: Event-day CAR from the market model; 94.2% of firms had positive CARs.

Two observations discipline the interpretation. First, the equity response is roughly an order of magnitude larger than the policy's direct fiscal transfer. Even under generous assumptions about the number of eligible borrowers, the annual outlay is small relative to RMB 32.6 billion; the market response is therefore better read as re-pricing the sector's *expected* demand and policy-support trajectory than as capitalising the subsidy's cash flows. Second, the largest responses occur among developers whose product mix skews toward the eligible segment (small, low-price units), which is consistent with the eligibility criteria mattering for the cross-section even though that mechanism is not tested formally here.

Table 4. Pre-event, event-day and post-event decomposition of the abnormal-return path

Segment	CAAR (%)	Cross-sect. <i>t</i>
Pre [-5, -1]	4.16	6.10
Event [0, 0]	3.81	10.67
Post [+1, +5]	-1.82	-4.13

6. Robustness

Table 5 reports robustness checks around the base [0, 0] window. Winsorizing daily returns at the 1st and 99th percentiles leaves the result essentially unchanged (+3.74%, $t = 11.00$, BMP $Z = 10.85$). Because the shock is common to all sample firms, abnormal returns are cross-sectionally correlated; the average pairwise correlation of estimation-window residuals is 0.245, so inference relies on variance-robust and correlation-adjusted statistics. Applying the Kolari and Pynnönen [15] cross-sectional-correlation adjustment to the BMP statistic reduces it to 2.17, which remains significant at the 5% level and shows that the event-day effect is not an artefact of cross-sectional dependence. A placebo (pseudo-event) test reinforces this: computing the [0, 0] CAAR on each of the 240 estimation-window days yields a distribution with mean 0.00 and standard deviation 1.24 (range -3.13 to 3.59), and the event day's +3.81% is larger in absolute value than every pseudo-event value ($p < 0.01$). The sign, magnitude and significance of the announcement effect are therefore stable across these checks.

Table 5. Robustness of the event-day CAAR

Specification / test	<i>N</i>	CAAR (%)	Cross-sect. <i>t</i>	BMP <i>Z</i>
Baseline [0, 0]	69	3.81	10.67	10.48
Winsorize 1/99	69	3.74	11.00	10.85
Kolari–Pynnönen adj. (baseline)	69	—	—	2.17
Placebo: pseudo-event CAAR	240	—	—	$p < 0.01$

Note: The Kolari–Pynnönen row reports the cross-sectional-correlation-adjusted BMP statistic for the baseline specification (average residual correlation 0.245); the point estimate is unchanged. In the placebo test the event-day CAAR (+3.81%) exceeds all 240 pseudo-event CAARs (range −3.13 to 3.59).

The study is additionally re-estimated under the alternative event-day convention $t = 0 = 30$ September 2026, treating 29 September as a (potentially contaminated) $t = -1$. Under that convention the event-day CAR falls to +0.55% ($t = 1.58$; BMP $Z = 2.37$) and the $[-1, +1]$ window carries a CAAR of +3.98% (Appendix C). The sensitivity to the anchor date is itself informative: almost all of the announcement effect is impounded on 29 September, the notice's own publication date, which is why 29 September is adopted as the event day.

7. Discussion and limitation

The evidence supports three claims. First, a targeted, fiscally modest demand-side housing subsidy was associated with a large and statistically overwhelming one-day revaluation of the real-estate sector: roughly +3.81%, or RMB 32.6 billion. Second, the reaction was broad-based across essentially the entire sector, indicating a sector-level information shock rather than firm-specific news. Third, the revaluation was only partly durable: a substantial pre-event run-up and a post-holiday reversal frame the event-day jump, and the cumulative abnormal return by the end of the window is below its intra-window peak.

The most important limitation is confounding. The subsidy was announced within a broad Q3-2026 housing-policy cluster that included a central-bank/regulator residential-credit reform and a shift toward completed-unit sales. The pre-event run-up of about 4.2% is consistent with investors pricing the cluster ahead of the specific notice. The entire event-day jump therefore cannot be attributed to the subsidy alone; the documented effect is the market's response to the notice conditional on the surrounding policy environment. This is disclosed rather than presented as a spuriously precise causal estimate. A second limitation is the absence of a clean control group: because the shock is sector-wide, the market model absorbs market-wide movements but cannot separate a real-estate-specific response to the subsidy from a broader policy-expectation factor that is also, by construction, real-estate-related. Third, the post-event window spans the National Day holiday, and the reversal may reflect holiday-period transaction data, follow-on announcements, or mean reversion rather than a reassessment of the subsidy itself. Fourth, the window ends on 14 October 2026; a longer horizon could reveal either a durable re-rating or a fuller reversal.

8. Conclusion

This paper studies the equity-market response to China's mortgage interest-subsidy for first-time homebuyers, announced on 29 September 2026. Using a market-model event study on the 69 constituents of the CSI All-Share Real Estate Index, the results show a large, robust, sector-wide abnormal return of +3.81% on the announcement day, equivalent to an aggregate market-value change of roughly RMB 32.6 billion, with nearly

universal cross-sectional support. The response is stable across winsorization, listing-status and suspension treatments, and portfolio aggregation, but is framed by a sizeable pre-announcement run-up and a partial post-holiday reversal.

The results carry a policy-relevant message. A demand-side instrument that is small in budgetary terms can nonetheless produce a large, immediate repricing of housing-sector equities, consistent with a signalling channel through expectations of demand and further support. At the same time, the limited durability of that repricing cautions against reading announcement-day returns as evidence of a permanent change in fundamentals. For future work, the natural extensions are to exploit cross-sectional variation in developers' exposure to the eligible (small, low-price) segment, and to compare the subsidy's effect with those of the contemporaneous credit-reform and completed-sales measures within the same policy cluster.

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Appendix

Appendix A. Event sources

Table A1. Event sources

#	Source (grade)	URL
1	Ministry of Finance / PBoC / NFRA, Caijin [2026] No. 95, and Q&A with reporters (Primary), 2026-09-29	http://jrs.mof.gov.cn/zhengcefabu/phjr/202609/t20260929_3998312.htm (notice); https://m.mof.gov.cn/czxw/202609/t20260929_3998314.htm (Q&A)
2	State Council gazette, 2026 No. 28: companion credit-management opinion (Primary), 2026	https://www.gov.cn/gongbao/2026/issue_13026/202610/content_7082770.html
3	China National Radio (CNR) report (Secondary), 2026-09-29	https://finance.cnr.cn/ycbd/20260929/t20260929_527829179.shtml
4	Southern Metropolis Daily (Nandu) report (Secondary), 2026-09-29	https://mp.weixin.qq.com/s/Yv34nTbSv8W7h-zQ6vIMPA (WeChat); https://epaper.oeeee.com/epaper/A/html/2026-10/11/content_8866.htm (e-paper)
5	China Construction Bank, implementing policy announcement (Secondary), 2026-10	https://wealth.ccb.com/chn/2026-10/12/article_2026101211062415055.shtml

Appendix B. Event-time calendar for $[-5, +5]$

Table B1. Event-time to calendar mapping

Event time	Date	Note
-5	2026-09-21	
-4	2026-09-22	
-3	2026-09-23	
-2	2026-09-24	
-1	2026-09-28	
0	2026-09-29	Notice published (event day)
+1	2026-09-30	Last session before the National Day holiday
+2	2026-10-08	First session after the holiday
+3	2026-10-09	
+4	2026-10-12	
+5	2026-10-13	

Appendix C. Alternative event-day convention ($t = 0 = 2026-09-30$)**Table C1.** Cumulative average abnormal returns under $t = 0 = 2026-09-30$

Window	CAAR (%)	Cross-sect. t	Patell Z	BMP Z
[0, 0]	0.55	1.58	2.86	2.37
[-1, +1]	3.98	6.63	8.40	6.58
[-2, +2]	5.33	6.79	8.47	7.72
[-5, +5]	1.80	2.63	2.18	3.71