Abstract

Along with the in-depth implementation of national intellectual property strategies in China, China’s intellectual property law has been fully integrated with international norms. The number of patents in China is among the highest in the world and China has been the country with the largest number of patent applications in the world for five consecutive years. In addition, the incentive and protective role of the intellectual property system on economy, science, technology and culture has emerged. There are more than 3,000 A-share listed companies in mainland China, as the second largest stock market among global transactions, with the daily trading volume exceeding one trillion RMB. Its ups and downs are catching the eyes of global investors. Patents are the concrete manifestations of scientific and technological innovations. It is questionable if this specific performance can contribute to financial performance and if investment potential stocks can be exploited through patent indicators. In view of this, in this study, an empirical research was conducted on the data of the technology-based enterprises listed on the Shanghai A-share market from 2011 to 2017. It is found in this study that, compared to stock prices, there is a significant leading period of specific patent indicators for more than one year. After the data back-testing of the stock exchange, the average performance of the investment potential stocks selected based on this research model is better than the market index performance.

Keyword: patent, patent indicator, stock price, forecasts, panel data, Granger causality test