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Research Paper No. 51: Half yearly review of the global and local securities markets

25 July 2012

Executive summary

1. In early 2012, stock markets around the world advanced on solid economic data. However, from April, most markets became more volatile amid worsening Eurozone debt problems and concerns about the global economic outlook.

2. In early 2012, US markets reached multi-year highs amid optimism over an economic recovery. However, from April, the markets became volatile again amid uncertainties about the Eurozone debt problems. Concerns about Greece's possible default and exit from the Euro weighed on the markets. In June, the markets recovered given optimism about market stabilisation measures to deal with the Eurozone debt problems. As at the end of June 2012, the Dow, Nasdaq and S&P500 were respectively 5.4%, 12.7% and 8.3% higher than their end-2011 levels.

3. In the first quarter of 2012, European markets rose given solid economic data worldwide and easing worries over the Eurozone debt problems. However, the downgrading of the credit ratings of some European sovereigns weighed on sentiment. There were also worries about a possible default of Greek debts and its exit from the Euro. Concerns about the solvency of banks in Spain also weighed on the markets. In late June, European policymakers unveiled measures to stabilise markets and recapitalise banks. This provided support to the markets. The DAX and CAC ended the first half of 2012 8.8% and 1.2% higher respectively while the FTSE ended flat. Meanwhile, markets in the PIIGS countries (i.e. Portugal, Ireland, Italy, Greece and Spain) fell between 5.4% and 17.1%, except for the Irish market, which ended 8.5% higher than its end-2011 level.

4. Major Asian markets advanced in the first quarter of 2012, following major overseas markets. However, gains were trimmed from April amid a gloomy economic outlook and the worsening debt problems in the Eurozone. By the end of June 2012, major Asian markets managed to record gains ranging from 0.6% in Australia to 20.1% in Vietnam.

5. The Mainland market rose during early 2012 on optimism over monetary easing. The reserve requirement ratio was cut by a total of 100 basis points (bps) in February and May. Optimism about supportive government policies paced gains. However, some gains were trimmed amid concerns about the Mainland's economic slowdown and the Eurozone debt problems. In early June, the central bank cut interest rates by 25 bps, the first cut since 2008. However, the market remained weak given concerns about the risks of a possible slowdown in the economy. During the first half of 2012, the Shanghai Composite Index was up only 1.2% from its end-2011 level.

6. The Hong Kong stock market rose in early 2012 amid optimism about further policy easing in the Mainland and robust economic data in the US. However, these gains were largely erased in May amid concerns about the debt problems in the Eurozone and risks of an economic slowdown in the Mainland. In June, the market recovered following a rebound in the US markets. As at the end of June 2012, the Hang Seng Index (HSI) was 5.5% higher than its end-2011 level while the HSCEI was 3.6% lower.

7. The Hong Kong market is structurally prone to be more volatile for these reasons:
   (a) Large-cap companies listed here derive a significant portion of their revenues from outside Hong Kong – About 85% of the revenues of the 20 largest constituent stocks in the HSI (which account for some 80% of its weightings) is generated outside Hong Kong. Thus, economic slowdown in the US, Europe or the Mainland can have a significant impact on their share price performance.

(b) European and US investors make up a large part of the investor base in Hong Kong – European and US investors accounted for about 70% of trading by overseas investors in the Hong Kong market. Changes in their sentiment can therefore have a significant impact on the market performance here.

(c) High weightings of Hong Kong in MSCI and FTSE indices (For MSCI, the weighting is around 3-4%, the second highest in Asia after Japan, compared to the level of 1-2% three years ago). Many funds track such benchmark indices. As they adjust their portfolios, this can cause more capital flows into and out of Hong Kong; and

(d) There is a heavy weighting of financial stocks in the HSI – Financial stocks make up about 47% of the HSI, which is significantly higher than for FTSE (16%), Dow (10%) and S&P500 (13%). As financial stocks were hit the most by the debt problems in the Eurozone, the Hong Kong market was affected accordingly.

8. The global market outlook will continue to hinge on the Eurozone debt problems and the worldwide economic situation. In the US, economic recovery remains fragile while the prospect of further monetary easing is uncertain. In Europe, investors remain concerned about the possible contagion of the debt problems. In the Mainland, worries about the risks of a possible slowdown in the economy continue to weigh on sentiment. Major developments in the Mainland and overseas markets will continue to have implications for the Hong Kong market.

9. European financial institutions are important players in the Hong Kong market. The combined share of major German and French financial institutions (in terms of cash market turnover) was about 11.1% during the first half of 2012. In the derivatives market, these institutions accounted for 6.8% of the trading in HSI futures and 9.1% in HSCEI futures.

10. Trading in the cash market and exchange-traded derivatives fell in the first half of 2012. Average daily trading in the cash market fell by 14%, while trading in futures and options decreased by 12% and 21% respectively.

Performance of stock markets in the first half of 2012

11. In early 2012, stock markets around the world advanced on solid economic data. However, from April, most markets became more volatile amid worsening Eurozone debt problems and concerns about the global economic outlook:

- The US markets seemed comparatively resilient and benchmark indices managed to stay in positive territory during the first half of 2012.
- Most major European markets ended the first half higher, but the PIIGS markets mostly fell.
- In the Mainland, the market rose, encouraged by optimism over government policy support. However, gains were limited by worries about risks of a possible slowdown in the economy.
- In Hong Kong too the HSI rose initially, but gains were later trimmed amid a worsening economic outlook for the Mainland and global economies, as well as increasing concerns about the Eurozone debt problems.

Performance of major stock markets

		end June 2012	% change	
		Index	YTD	during 2011
Hong Kong and Mainland				
Hong Kong	-HSI	19,441.46	5.5%	-20.0%
	-HSCEI	9,574.84	-3.6%	-21.7%
China	-Shanghai Comp	2,225.43	1.2%	-21.7%
	-Shenzhen Comp	921.41	6.3%	-32.9%
Asia				
Japan	-Nikkei 225	9,006.78	6.5%	-17.3%
Australia	-AOI	4,135.46	0.6%	-15.2%
Taiwan	-TWSE	7,296.28	3.2%	-21.2%
Korea	-KOSPI	1,854.01	1.5%	-11.0%
Singapore	-STI	2,878.45	8.8%	-17.0%
Thailand	-SET	1,172.11	14.3%	-0.7%
Malaysia	-KLCI	1,599.15	4.5%	0.8%
Indonesia	-JCI	3,955.58	3.5%	3.2%
Philippines	-PCOMP	5,246.41	20.0%	4.1%
Vietnam	-VNINDEX	422.37	20.1%	-27.5%
US				
US	-Dow	12,880.09	5.4%	5.5%
	-Nasdaq	2,935.05	12.7%	-1.8%
	-S&P500	1,362.16	8.3%	0.0%
Europe				
UK	-FTSE100	5,571.15	0.0%	-5.6%
Germany	-DAX	6,416.28	8.8%	-14.7%
France	-CAC	3,196.65	1.2%	-17.0%
PIIGS				
Portugal	-PSI20	4,697.96	-14.5%	-27.6%
Italy	-FTSEMIB	14,274.37	-5.4%	-25.2%
Ireland	-ISEQ	3,148.62	8.5%	0.6%
Greece	-ASE	611.16	-10.2%	-51.9%
Spain	-IBEX	7,102.20	-17.1%	-13.1%
BRIC				
Brazil	-IBOV	54,354.63	-4.2%	-18.1%
Russia	-MICEX	1,387.52	-1.0%	-16.9%
India	-Nifty	5,278.90	14.2%	-24.6%

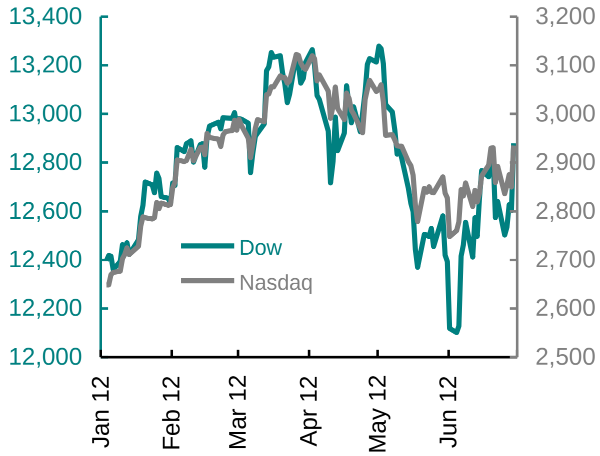
Source: Bloomberg

The US

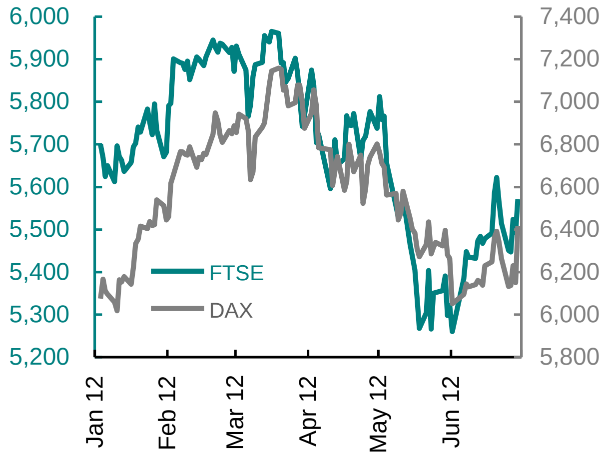
12. As at the end of June 2012, the Dow, Nasdaq and S&P500 were respectively 5.4%, 12.7% and 8.3% higher than their end-2011 levels.

13. In early 2012, US markets advanced amid optimism over an economic recovery. Key figures such as jobs data, manufacturing orders, retail sales and new home sales were encouraging. In March, both the Dow and S&P500 reached their four-year highs while the Nasdaq rose to its highest level since February 2001.

14. From April however, the markets became sluggish and volatile. While the Fed pledged to maintain low borrowing costs until late 2014, and talks about a third round of quantitative easing (QE3) lent support. In May, some gains were trimmed amid uncertainties about political developments and financial stability in the Eurozone. Concerns about Greece's possible default and exit from the Euro also weighed on markets, as did Moody's downgrading of 15 global banks. However, in late June, the markets recovered amid optimism about market stabilisation measures to deal with the Eurozone debt problems.



Performance of the Dow and Nasdaq



Performance of the FTSE and DAX

Source: Bloomberg

Europe

15. The performance of European markets during the first half of 2012 was mixed. The DAX and CAC ended the first half at 8.8% and 1.2% respectively above their end 2011 levels, while the FTSE ended flat. The Greek market once tumbled 22.8% to a 22-year low. The Spanish market also slid 28.9% to a nine-year low, while the Italian market once dropped 14.7% to its lowest level since October 2009.

16. During the first quarter of 2012, European markets rose on the back of solid economic data worldwide. Worries over the Eurozone debt problems also eased after Greece's successful debt restructuring and the International Monetary Fund's (IMF) proposal to raise additional bailout funds to tackle the debt problems.

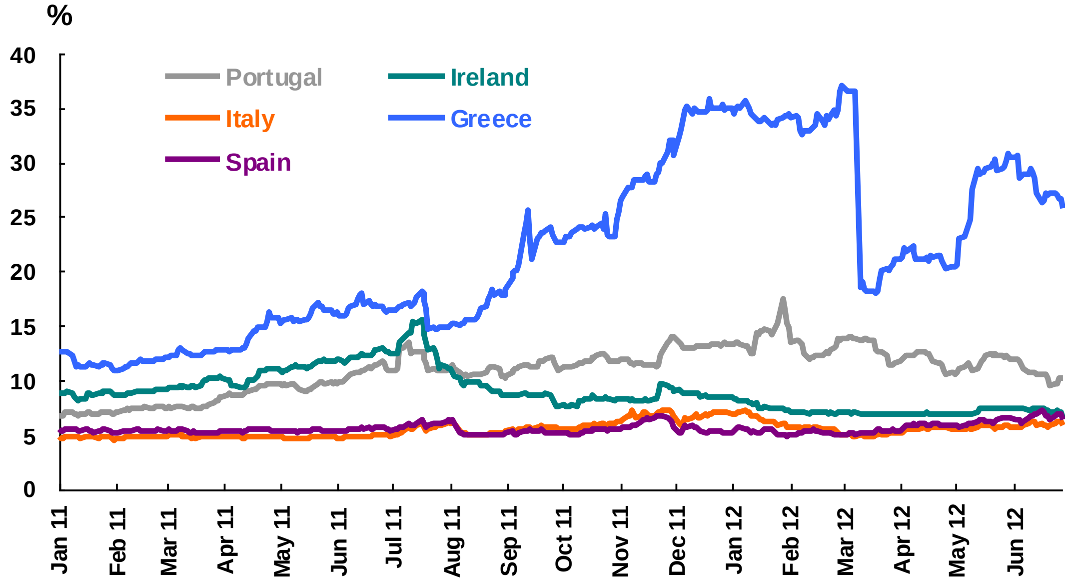
17. However, in April, worries about the Eurozone debt problems re-surfaced when the credit ratings of several European sovereigns including France, Italy and Spain were downgraded, and yields on Spanish and Italian bonds increased sharply. Although the European Central Bank kept interest rates unchanged at 1%, and deployed the Securities Markets Programme to purchase Eurozone debts, these measures provided limited support for markets. Worries over the Eurozone debt problems intensified further after elections in France and Greece in early May. There were concerns that political uncertainties in the region might undermine authorities' efforts to tackle the debt problems.

18. In Greece, after the first congress election in May, the anti- and pro-bailout parties failed to form a coalition government due to a split in views over the bailout terms set by the European Union (EU) and IMF. The political deadlock heightened worries that Greece might reject an international bailout agreement, default on its debts and eventually exit the Euro. However, with the pro-bailout parties winning the second congress election in June, fears over a near-term exit of Greece from the Euro eased somewhat.

19. There were also concerns about the stability of the banking sector in Spain. The Spanish government nationalised Bankia, the fourth largest bank in the country. Rumours about substantial cash withdrawals from banks by depositors also paced losses. In addition, there was news about the deteriorating fiscal condition of the country's municipal governments. In early June, concerns about the solvency of Spanish banks eased as the EU agreed on a 100 billion euro-bailout plan for Spanish banks. In late June, European

policymakers unveiled measures to stabilise markets and recapitalise banks, providing support to the market.

20. The credit default swap spreads of European sovereigns and financial institutions rose in 2012 while the yields of major debt-laden countries also surged. The 10-year Spanish bond yield hit a record high and broke the 7% mark, a level which investors generally perceive as a sign for triggering international bailout.



10-year government bond yield for the PIIGS countries (%)

Source: Bloomberg
Remark: Nine-year Irish government bond yield is shown as data on 10-year bond yield after October 2011 is not avaliable.

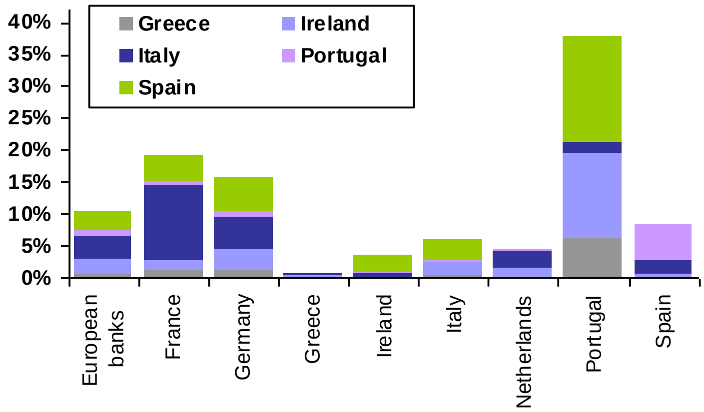
Asia

21. Major Asian markets advanced during the first quarter of 2012, following major overseas markets. Solid economic data worldwide paced gains. However, gains were trimmed from April amid a gloomy economic outlook and worsening debt problems in the Eurozone. By the end of June 2012, major markets managed to record gains ranging from 0.6% in Australia to 20.1% in Vietnam.

European Sovereign Debt Problems

22. Since 2010, the Eurozone debt problems have affected investor sentiment and increased market volatility. Investors initially focused on smaller nations, such as Greece, Portugal and Ireland. However, there were growing concerns of contagion to bigger nations such as Spain, Italy and France.

23. Greece has been the main concern over the years, but the impact of a possible writedown of the Greek debt varies. For European banks as a whole, the impact may be relatively limited since the claims of European banks on Greece amount to only about 0.6% of their total foreign claims. However, the impact on the banks of a particular country (and hence, the impact on that country) may be much larger. For instance, the exposure of Portuguese banks to Greek debts account for 6.2% of their total foreign claims.



Banks' exposure to the PIIGS countries (Preliminary figures) (% of total foreign claims) (End 2011)

Source: BIS Consolidated Bank Statistics

24. In addition, the contagion effect could be large if the problem were to spread to other parts of Europe. European banks' claims on the PIIGS countries collectively amounted to 10.4% of their total foreign claims.

25. More recently, uncertainties about the outlook for the Eurozone have affected market sentiment. There are worries about a contagion effect if Greece were to exit the Euro. There are also concerns that a Greek exit would further increase both borrowing costs and the risks of an economic slowdown in the region.

26. Political uncertainties have complicated the Eurozone debt problems. Elections took place in various European nations in the first half of 2012. Investors were concerned about the diverse views held by different political parties regarding austerity measures and international bailout agreements, particularly within Greece.

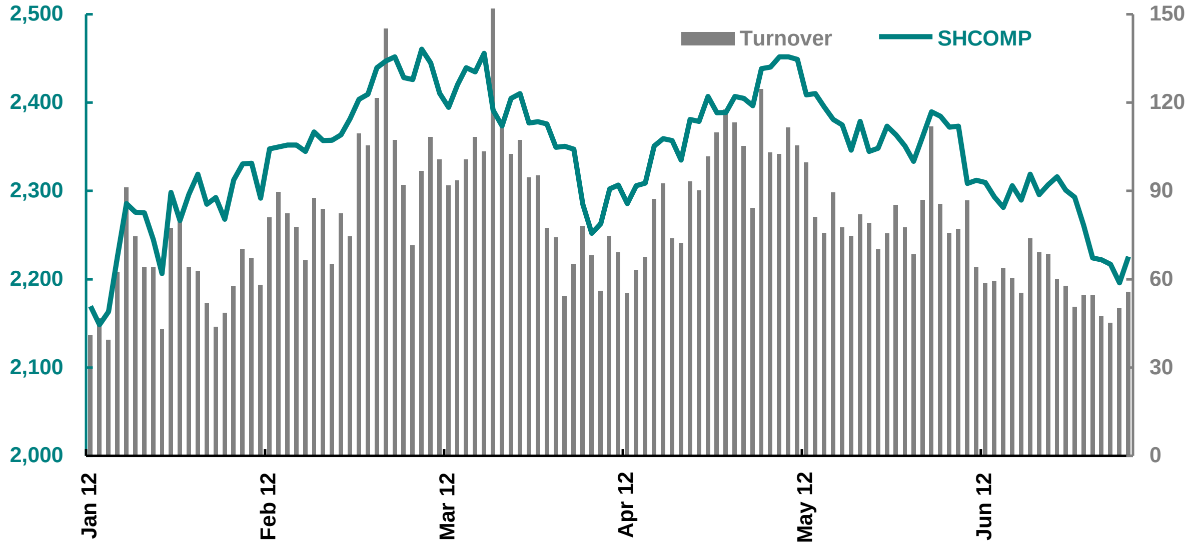
27. Problems in the banking sector also intensified. Given heavy loan losses, some Spanish banks required recapitalisation. There were also concerns that bailout costs would overwhelm the Spanish government's already stretched finances.

28. As for major European financial institutions operating in Hong Kong, the combined market share of major German and French financial institutions (in terms of cash market turnover) was about 11.1% during the first half of 2012. In the derivatives market, these institutions accounted for 6.8% of the trading in HSI futures, and 9.1% of the trading in HSCEI futures.

The Mainland

29. The Mainland market rose in the first half of 2012 on optimism over monetary easing amid tamed inflation and weak imports. The central bank lowered the reserve requirement ratio by a total of 100 bps in February and May. Premier Wen Jiabao's supportive remarks about financial reform also paced gains. Market analysts expected that the government might offer support to small- and medium-sized enterprises and fine-tune its economic policies.

30. However, gains were trimmed on concerns about a possible economic slowdown. During the National People's Congress meeting in March, Premier Wen announced a cut in the target for economic growth from 8% to 7.5%, the lowest level since 2005. GDP growth was 8.1% in Q1 2012, which was lower than expected. Worries over the Eurozone debt problems also intensified and weighed on the market. In early June, the central bank cut interest rates by 25 bps, the first cut since 2008. However, the market remained weak amid concerns about the risks of a hard landing for the economy. As at the end of June 2012, the Shanghai Composite Index was up only 1.2% from its end-2011 level.



Shanghai Composite Index and market turnover (RMB$ bn) (Jan-Jun 2012)

Source: Bloomberg

Hong Kong

31. The Hong Kong stock market rose in early 2012 amid improved corporate earnings reports, optimism about further policy easing in the Mainland, and robust economic data in the US. However, these gains were largely erased during May, and left the Hong Kong stock market underperforming most major markets. The HSI fell below the 19,000 level in late May amid concerns about the debt problems in Europe and risks of an economic slowdown in the Mainland. The market recouped some losses in June after Greece's pro-bailout parties won the second general election, easing concerns about the country's near-term exit from the Euro. In late June, the announcement of stimulative measures at the European Union summit lifted the Hong Kong market higher. Financial stocks paced gains given optimism about the Central Government's measures to support the growth of the Hong Kong financial market. However, H-shares underperformed amid lingering concerns about the outlook for economic growth in the Mainland. As at the end of June 2012, the HSI was 5.5% higher than its end-2011 level, while the HSCEI was 3.6% lower.

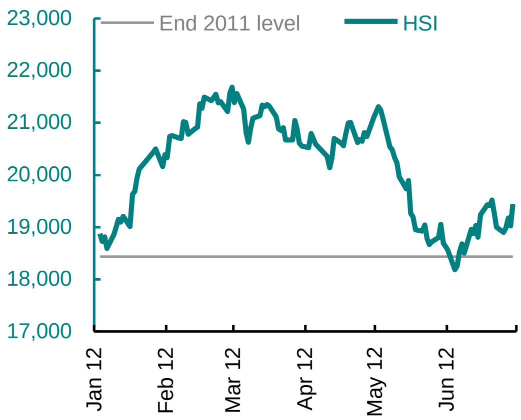
32. The Hong Kong market is structurally prone to be more volatile for these reasons:

(a) Large-cap companies listed in Hong Kong derive a significant portion of their revenues from outside Hong Kong – A large number of HSI constituents are Mainland companies, generating revenues largely from the Mainland. Out of the 49 HSI constituents, 21 are Mainland companies (including 11 H-shares and 10 red chips[1], together accounting for almost half of the HSI weightings). About 85% of the revenues of the 20 largest constituent stocks in the HSI (which account for some 80% of its weightings) is generated outside Hong Kong. Thus, economic slowdown in the US, Europe or the Mainland can have a significant impact on their share price performance.

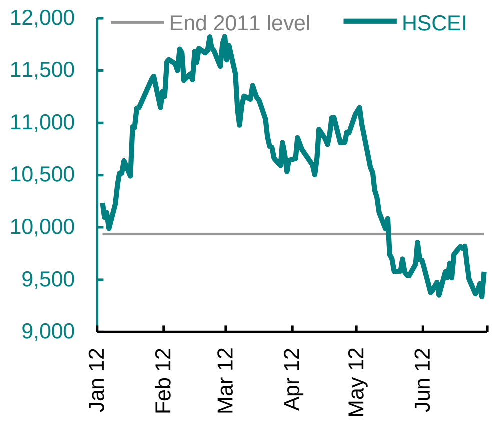
(b) European and US investors make up a large part of the investor base in the Hong Kong market – Among overseas investors, European and US investors are the largest group, accounting for around 70% of the trading of overseas investors in Hong Kong. The performance of the Hong Kong market is therefore susceptible to changes in market sentiment in their home markets.

(c) Increased weightings of Hong Kong stocks in global indices – The weightings of Hong Kong stocks in global indices (such as the MSCI and FTSE) have increased over time. Hong Kong's current weighting in the MSCI is around 3-4%, the second highest in Asia after Japan. This is double its level of 1-2% only three years ago. As Hong Kong's weightings increase, this can cause more capital flows into and out of Hong Kong because funds tracking benchmark indices will need to adjust their portfolios, and doing so will mean buying or selling Hong Kong stocks that are included among its constituents. This may affect volatility in the Hong Kong market.

(d) Heavy weighting of financial stocks in the HSI – The current weighting of financial stocks in the HSI is around 47%, which is significantly higher than the weightings of financial stocks in other benchmark indices such as the FTSE (16%), Dow (10%) and S&P500 (13%). As financial stocks have been hit the most by the debt problems in the Eurozone, their large share of the HSI also means the Hong Kong market as a whole has been affected accordingly. For instance, in May, the HSI dropped by 2,465 points, with financial stocks accounting for 1,112 points.



Performance of the HSI



Performance of the HSCEI

Source: Bloomberg

[1] BOCHK is excluded here as it mainly derives its income from its Hong Kong operations, despite the fact that it is classified as a red chip given its status as a subsidiary of BOC.

Risks and uncertainties over financial markets and economic outlook

33. It is likely that the global market outlook will continue to hinge on the Eurozone debt problems and the worldwide economic situation. Major markets are facing the following potential risks:

    (a) Europe: The prospects of the European markets will remain uncertain, clouded by the Eurozone debt problems and changes in governments as well as the downgrading of various European sovereigns and global banks. While Greece's pro-bailout parties won the second election, investors remain cautious about the stance of the new leaders towards austerity measures and bailout plans. Effectiveness of bailout plans on the European banks and the financial system of Eurozone countries will weigh on the markets. Worries about the risks of recession in Europe will also affect market sentiment.

    (b) The US: Economic recovery in the US remains fragile while the prospect of further monetary easing is uncertain. The market is also susceptible to spillovers from the Eurozone debt problems. The presidential election in November will be another important factor affecting market outlook.

    (c) The Mainland: Worries about the risks of a hard landing for the Mainland economy will continue to weigh on sentiment. The Central Government's possible supportive policies as well as fiscal and monetary stimulus will impact economic growth and have implications for the market.

    (d) Hong Kong: The economic outlook in the US and developments in the Eurozone debt problems will affect the stock market performance in Hong Kong. As a proxy for capturing growth in the Mainland, any major developments in the Mainland will also have implications for the Hong Kong market.

Trading activity in the local stock market

34. Trading in the local stock market remained active in early 2012 amid optimistic market sentiment. However, trading became sluggish from April as the market began to correct. During the first half of 2012, the average daily turnover amounted to $57 billion[2], 14% lower than its $66 billion level in the second half of 2011 and 23% lower than its $74 billion level in the first half of 2011.

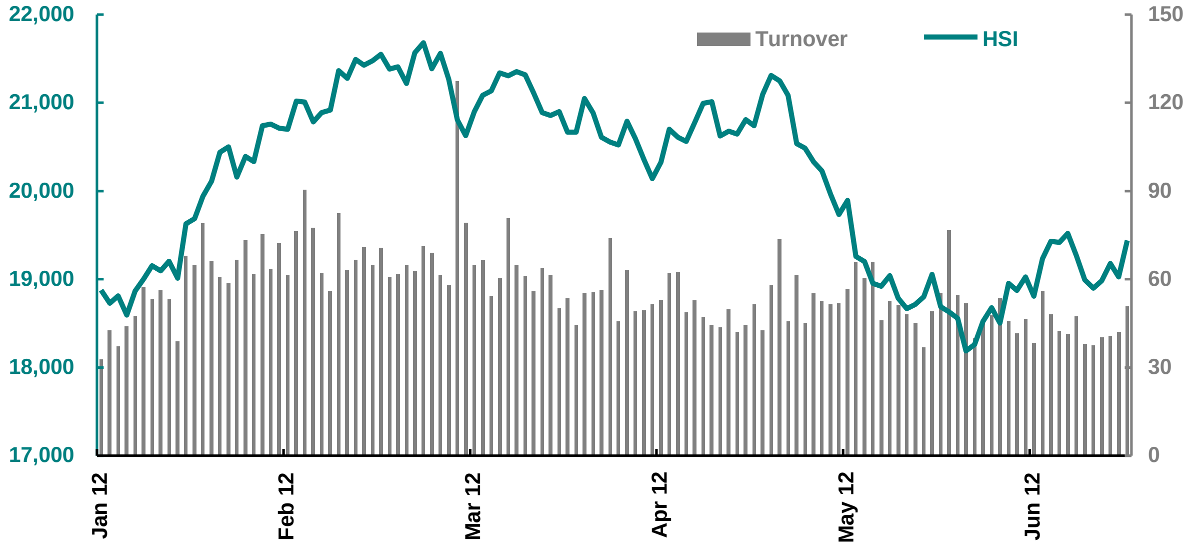
35. Mainland stocks remained the most actively traded stocks. Its share of total market turnover was 38% in the first half of 2012, while that of HSI stocks (excluding H-shares and red chips) was about 15%.

Average daily turnover ($ bn)

	1H 2012		2H 2011		1H 2011		% change over	
							2H 2011	**1H 2011**
HSI (ex H shares & red chips)	8.6	(15%)	8.7	(13%)	10.5	(14%)	-1%	-18%
Mainland Stocks	21.8	(38%)	25.0	(38%)	26.8	(36%)	-13%	-19%
H-shares	*15.7*	*(28%)*	*18.4*	*(28%)*	*19.6*	*(27%)*	*-15%*	*-20%*
Red chips	*6.1*	*(11%)*	*6.6*	*(10%)*	*7.2*	*(10%)*	*-8%*	*-16%*
Derivative Warrants	7.4	(13%)	9.3	(14%)	12.1	(16%)	-20%	-39%
CBBCs	7.0	(12%)	9.3	(14%)	5.7	(8%)	-25%	22%
Others	11.9	(21%)	13.6	(21%)	18.4	(25%)	-13%	-36%
Market total	**56.7**	**(100%)**	**66.0**	**(100%)**	**73.6**	**(100%)**	**-14%**	**-23%**

Remark: Percentages in parenthesis denote market share.
Sources: HKEx and SFC Research

[2] Unless otherwise specified, the currency referred to in this report is the Hong Kong dollar.



HSI performance and market turnover ($ bn) (Jan-Jun 2012)

Source: Bloomberg

Short-selling activity

36. Short-selling activity was moderate in early 2012, and rose to higher levels in May. Compared to the second half of 2011, short selling was lower in absolute terms and remained stable as a % of total market turnover. The average daily short selling was $5,089 million, or 9.0% of the total market turnover during the first half of 2012. In the second half of 2011, the average daily short selling was $5,871 million, or 8.9% of the total market turnover.

Initial public offerings (IPOs)

37. IPO activities in Hong Kong were quiet due to deteriorating market sentiment, with only 31 IPOs during the first half of 2012. Total IPO funds raised amounted to $30.6 billion. There were 34 IPOs ($174.1 billion) in the first half of 2011 and 47 IPOs ($84.4 billion) in the second half of 2011. IPO funds raised by Mainland companies accounted for 81% of the market total during the first half of 2012.

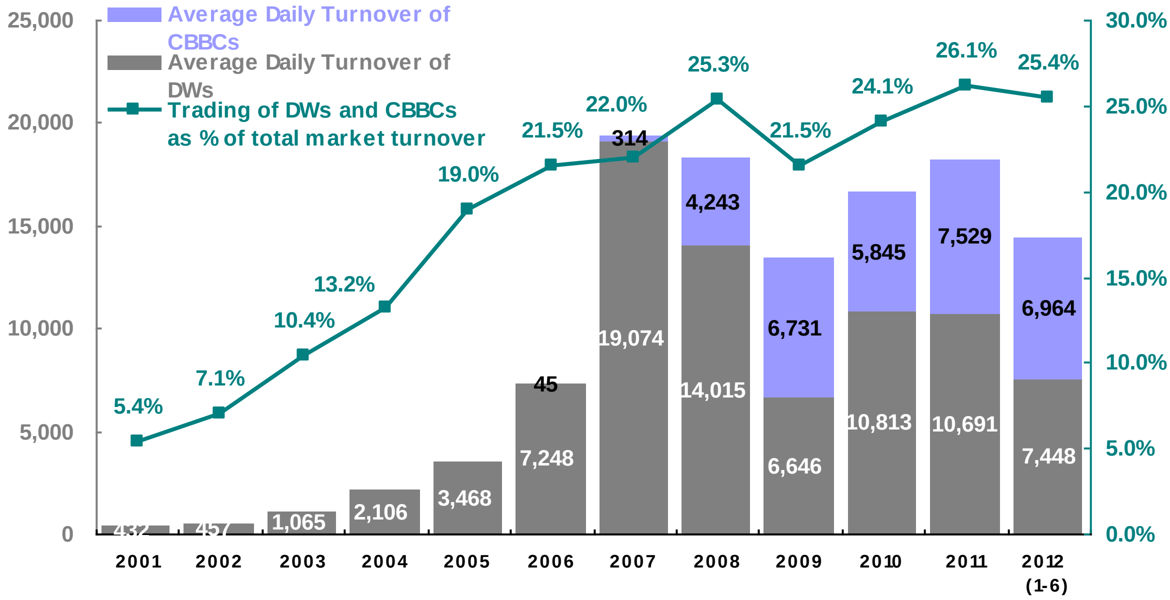
Exchange-traded funds (ETFs)

38. The number of ETFs rose to 92 as at end-June 2012 from 77 as at end-2011. Despite an increase in the number of ETFs, their average daily turnover was $1.7 billion during the first half of 2012, which was slightly lower than the $2.1 billion during the second half of 2011. ETFs accounted for 3.0% of the total market turnover during the first half of 2012 (compared to 3.1% during the second half of 2011).

Derivative warrants (DWs) and callable bull/bear contracts (CBBCs)

39. During the first half of 2012, trading in DWs decreased in both absolute terms and as a percentage of the total market turnover. The average daily turnover of DWs fell to $7.4 billion (13.1% of total market turnover), compared to $9.3 billion (14.1% of total market turnover) in the second half of 2011. The share of trading in DWs relative to CBBCs has decreased over the past years.

40. Trading in CBBCs decreased both in absolute terms and as a percentage of the total market turnover. The average daily turnover of CBBCs decreased to $7.0 billion (12.3% of total market turnover), compared to $9.3 billion (14.0% of total market turnover) in the second half of 2011.



Turnover of DWs and CBBCs ($ mn)

Source: SFC Research

Exchange-traded derivatives

41. During the first half of 2012, trading in exchange-traded derivatives decreased by 18% compared to the second half of 2011. Trading in futures products fell by 12%. Among the various futures products, HSI futures remained the most actively traded contract, accounting for nearly half of all futures trading. Compared to the second half of 2011, its average daily trading volume decreased by 12%. The second most actively traded futures contract was the HSCEI futures, accounting for almost one-third of all futures trading. As at the end of June 2012, open interests in HSI and HSCEI futures were 103,069 contracts and 127,099 contracts respectively.

42. Trading in options fell by 21% during the first half of 2012. Stock options remained the most actively traded options product and trading volume fell 27%, compared to the second half of 2011.

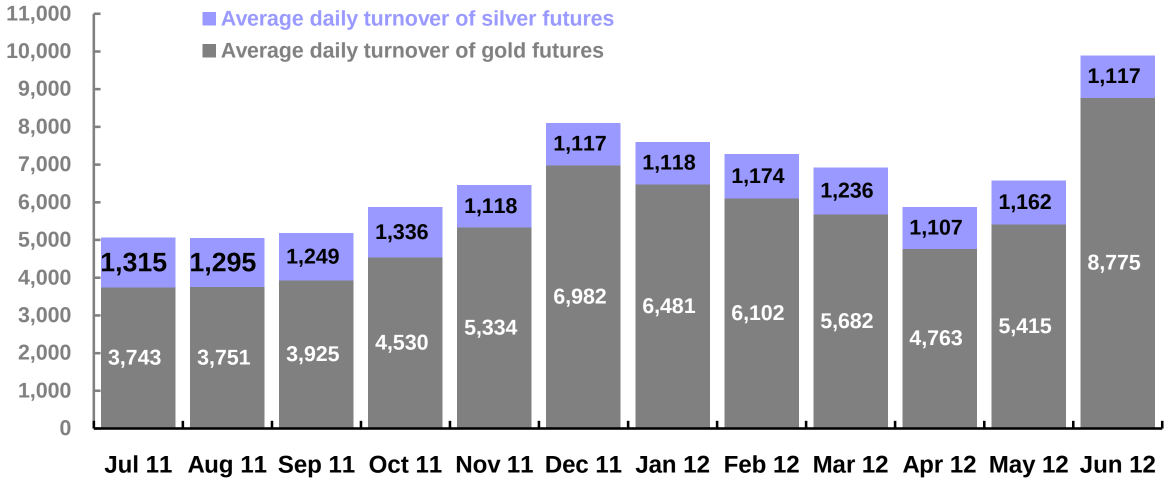
Average daily trading volume of derivatives traded on HKEx by product type (contracts)

		1H 2012	2H 2011	1H 2011
Futures	HSI Futures	86,446	98,628	88,903
	Mini-HSI Futures	37,931	47,658	35,846
	HSCEI Futures	64,209	67,406	54,364
	Mini-HSCEI Futures	6,947	8,683	6,279
	Stock Futures	1,140	1,867	1,741
	3-Month HIBOR Futures	1	2	2
	Gold Futures	0	11	19
	Other futures products*	907	396	124
	Total Futures	**197,581**	**224,652**	**187,277**
Options	HSI Options	39,554	43,273	43,457
	Mini-HSI Options	4,677	4,313	3,433
	HSCEI Options	23,734	15,572	15,086
	Stock Options	231,856	316,530	287,263
	Other options products**	63	198	66
	Total Options	**299,884**	**379,885**	**349,304**
Total Futures and Options		**497,465**	**604,537**	**536,582**

Remarks:
The average daily trading volume was based on the number of trading days after the product was launched.
* One-Month HIBOR Futures, Three-year Exchange Fund Note Futures, HSI Dividend Point Index Futures, HSCEI Dividend Point Index Futures, HSI Volatility Index Futures (launched on 20 Feb 2012), IBOVESPA Futures (launched on 30 Mar 2012), MICEX Index Futures (launched on 30 Mar 2012), Sensex Index Futures (launched on 30 Mar 2012) and FTSE/JSE Top40 Futures (launched on 30 Mar 2012).
** Flexible Hang Seng Index Options and Flexible H-shares Index Options
Sources: HKEx and SFC Research

Trading in gold and silver futures on the Hong Kong Mercantile Exchange (HKMEx)

43. During the first half of 2012, the average daily turnover of gold futures and silver futures on the HKMEx were 6,221 contracts (4,692 contracts in the second half of 2011) and 1,155 contracts (1,228 contracts in the second half of 2011) respectively.



Average daily turnover of gold and silver futures on the HKMEx (number of contracts)

Remark: Gold futures and silver futures on the HKMEx commenced trading on 18 May and 22 July 2011 respectively. The average daily trading volume was based on the number of trading days after the product was launched.
Source: SFC Research