



SECURITIES AND  
FUTURES COMMISSION  
證券及期貨事務監察委員會

## **Research Paper No.77: Half-yearly Review of the Global and Local Securities Markets**

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31 July 2025

## Executive Summary

1. Major markets around the globe were volatile during the first half of 2025. The markets experienced selloffs following the US' new tariff measures in April but rebounded later upon the temporary suspension of these measures and growing hopes for trade deals. In June, geopolitical tensions in the Middle East once weighed on markets, but concerns eased following an earlier-than-expected ceasefire between Israel and Iran. In the US, the Dow, Nasdaq and S&P500 advanced 3.6 – 5.5%. In Europe, FTSE and CAC gained 7.2% and 3.9%, respectively, whilst the DAX rose 20.1%. Mainland China's SHCOMP rose 2.8%, whilst the SZCOMP advanced 6.0%.
2. The Hong Kong stock market outperformed most major markets and turnover increased significantly (see Box 1). During the first half of 2025, the HSI, HSCEI and Hang Seng TECH index advanced 20.0%, 19.0% and 18.7%, respectively. Although global trade tensions once triggered volatilities, optimism about government policy support in the Mainland and breakthroughs in artificial intelligence (AI) raised investor interests in related stocks in the Hong Kong and Mainland markets.
3. The average daily turnover in the Hong Kong stock market surged 82.2% to \$240.2 billion<sup>1</sup> during the first half of 2025 from \$131.8 billion in 2024. The average daily turnover of exchange-traded derivatives increased 10.0%. Initial public offering (IPO) activities recorded strong growth (see Box 2). For over-the-counter (OTC) derivatives referencing Hong Kong stocks and indices, the notional value rose to around \$1.6 trillion from \$1.3 trillion in 2024, but remained relatively stable as a percentage of stock market capitalisation.
4. For Stock Connect, southbound (SB) trading recorded a net buy of \$731.2 billion during the period. SB net buy during the first half of 2025 was already equivalent to 91% of the \$807.9 billion recorded for full-year 2024. As of end-June, the cumulative net buy for SB trading reached \$4.42 trillion.
5. Short selling in Hong Kong remained stable as a percentage of market turnover during the period. Although short positions increased, there were no signs of build-ups of large short positions in individual stocks or concentration of short positions in any particular securities or holders.
6. Despite some volatilities, the Hong Kong stock market has remained resilient, with orderly trading and normal operations in various market segments.

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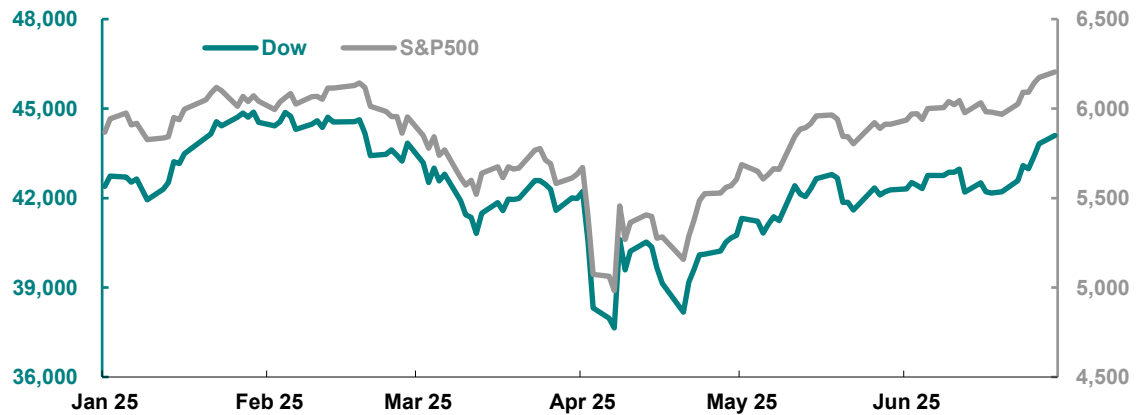
<sup>1</sup> Unless otherwise stated, \$ denotes the Hong Kong dollar.

## Performance of stock markets

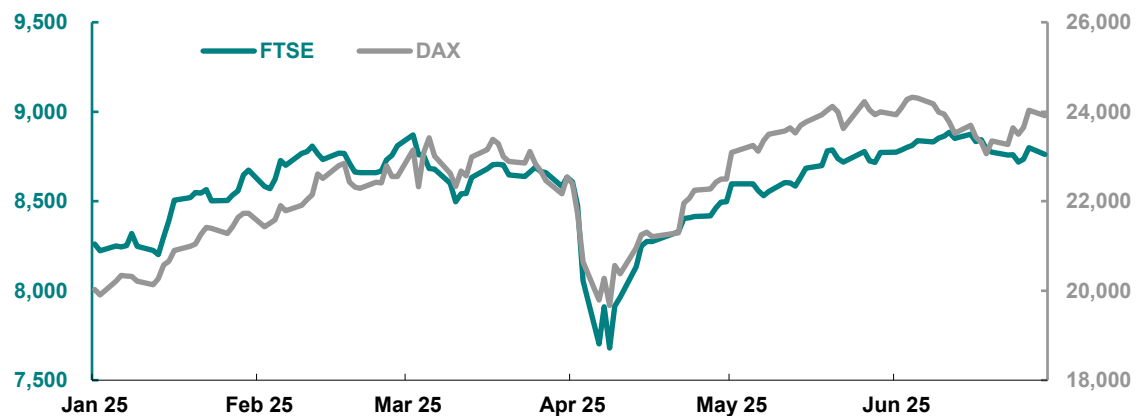
### Overseas markets

7. In the US, the Dow rose 3.6%, whilst the Nasdaq and S&P500 both gained 5.5% during the first half of 2025. In Europe, FTSE, DAX and CAC rose 7.2%, 20.1% and 3.9% respectively. The Nasdaq, S&P500, FTSE and DAX hit new highs successively.
8. In early April, the US unveiled new tariffs that were higher and broader than expected, triggering sharp declines across major markets. There were concerns that the tariffs would drive up inflation, adding to uncertainties about the pace of interest rate cuts and potentially weigh on the outlook for the economy in the US. Subsequently, the US announced a 90-day tariff exemption for most trading partners and reached an agreement with Mainland China to lower reciprocal tariffs temporarily, providing relief to the market. Despite signs of the US' softening stance in trade negotiations, its policies remained highly unpredictable.
9. Market sentiment was affected by concerns over the impact of tariffs on the global economy. In April, the International Monetary Fund (IMF) lowered its 2025 global GDP growth forecast from 3.3% to 2.8%, marking the slowest growth since the COVID-19 pandemic. Even after the 90-day suspension of tariffs on major trading partners, due to trade tensions and policy uncertainty, the World Bank still lowered its 2025 projection for global GDP growth from 2.7% to 2.3%.
10. Hopes for monetary easing in the US provided support for the market. So far in 2025, the Federal Reserve (Fed) held interest rates unchanged. The dot plot of the Federal Open Market Committee in June indicated two interest rate cuts totalling 50 basis points (bps) in 2025.
11. Uncertainty over US policies weighed on US Treasuries and the US dollar. Moody's downgraded the US credit rating from Aaa to Aa1. The IMF warned that the US' bill for large-scale spending and tax cuts might add to concerns over fiscal deficits and government debt levels.
12. Major European markets posted significant gains due to accommodative monetary policy amid easing inflationary pressure. The European Central Bank lowered interest rates four times by a total of 100 bps. In Germany, optimism over the pro-growth policies of the new administration, fiscal spending plans and approval of a tax relief package lent support to the markets.

### Performance of the Dow and S&P500 during the first half of 2025



### Performance of FTSE and DAX during the first half of 2025



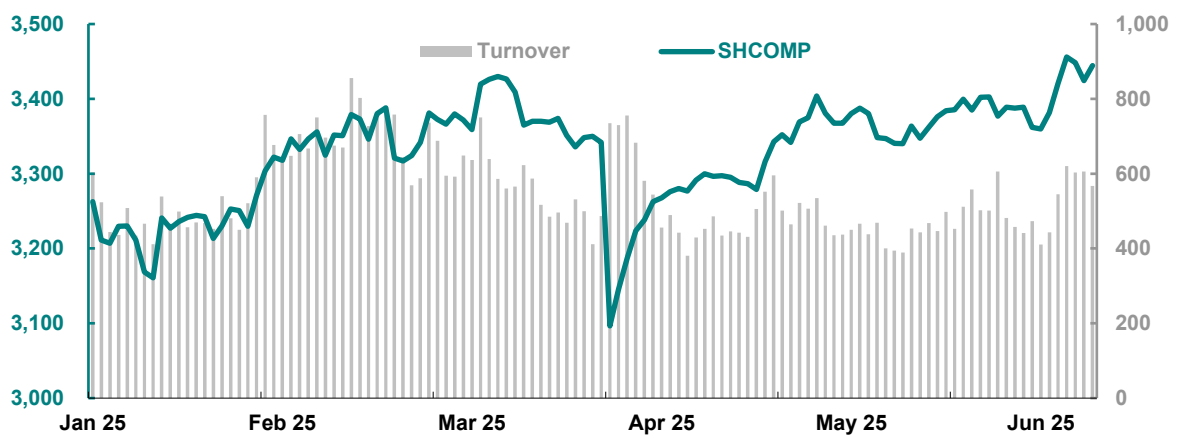
### Performance of major stock markets

		Index level	% change		
			2025 H1	2024	2023
Hong Kong	-HSI	24,072.3	+20.0%	+17.7%	-13.8%
	-HSCEI	8,678.3	+19.0%	+26.4%	-14.0%
	-HS TECH	5,302.8	+18.7%	+18.7%	-8.8%
Mainland China	-SHCOMP	3,444.4	+2.8%	+12.7%	-3.7%
	-SZCOMP	2,074.9	+6.0%	+6.5%	-7.0%
US	-Dow	44,094.8	+3.6%	+12.9%	+13.7%
	-Nasdaq	20,369.7	+5.5%	+28.6%	+43.4%
	-S&P500	6,205.0	+5.5%	+23.3%	+24.2%
UK	-FTSE	8,761.0	+7.2%	+5.7%	+3.8%
Germany	-DAX	23,909.6	+20.1%	+18.8%	+20.3%
France	-CAC	7,665.9	+3.9%	-2.2%	+16.5%

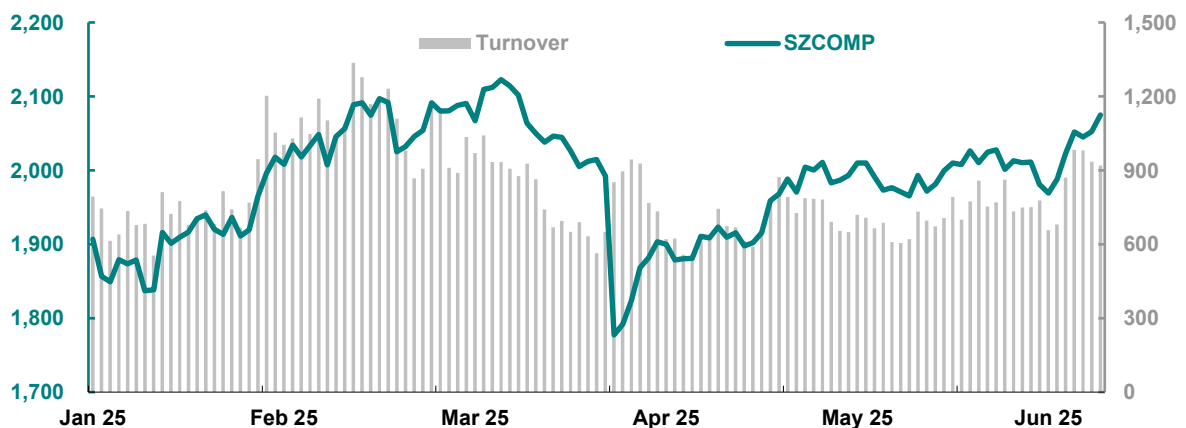
## Mainland China

13. During the first half of 2025, the SHCOMP and the SZCOMP rose 2.8% and 6.0%, respectively. Average daily turnover in the Mainland markets increased 29.4% to RMB1,361 billion, compared to RMB1,051 billion in 2024.
14. Stimulus measures supported markets, including a 50bp reduction of reserve requirement ratio, a 10bp cut in the policy interest rate, a plan to promote inflows of long-term capital into the stock market and policies to boost innovative sectors and consumption. Optimism over technological breakthroughs boosted the AI sector and related stocks.
15. Nonetheless, investor sentiment was once affected by US tariff policies, which weighed on the trade and economic outlook. Declines in consumer and producer prices underscored deflationary risks.

### SHCOMP performance and market turnover (RMB billion) during the first half of 2025



### SZCOMP performance and market turnover (RMB billion) during the first half of 2025

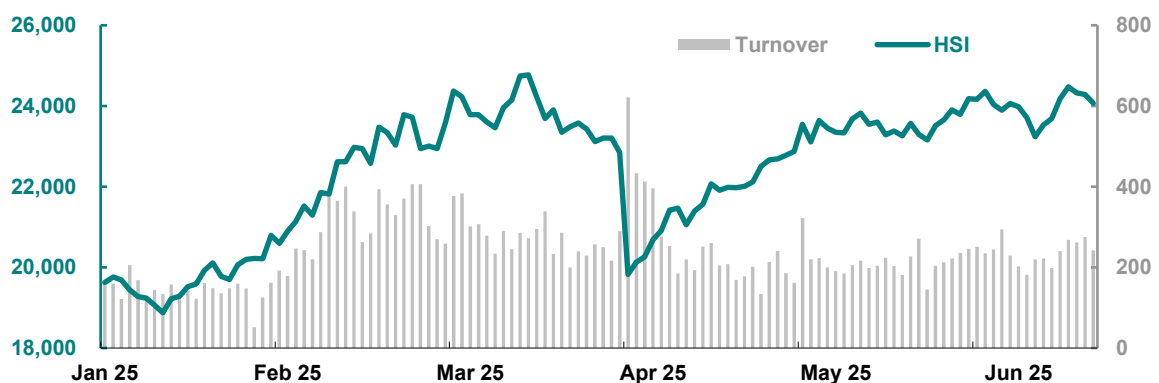


## Hong Kong

### Market performance

16. During the first half of 2025, the HSI, HSCEI and Hang Seng TECH Index rose 20.0%, 19.0% and 18.7% respectively, outperforming most major overseas markets.
17. In early 2025, investor sentiment and market performance in Hong Kong were lifted by advancements in the Mainland AI sector, as well as optimism surrounding fiscal stimulus and accommodative monetary policy.
18. The appreciation of the renminbi (RMB) which once rose by 1.9% to an eight-month high bolstered investor confidence during the period. From international investors' perspectives, a stronger RMB implies better reported earnings in Hong Kong dollar terms for Mainland stocks.
19. Nevertheless, the Hong Kong market experienced volatility after the US announced new tariff policies in early April. Later, trade tensions eased somewhat as the US suspended these tariff measures and Sino-US trade negotiations progressed with positive developments.
20. Risk-off sentiment heightened amid geopolitical conflicts in the Middle East, but eased after the ceasefire between Israel and Iran.
21. Investors remained cautious about the implications of US trade policies on the global economic and inflation outlook. Uncertainty over the Fed's monetary policy also weighed on sentiment.
22. The Hong Kong market remained resilient despite some volatility. Trading and settlement in the market remained orderly, and various market segments continued to operate normally.

### HSI performance and market turnover (\$ billion) during the first half of 2025



## Trading and fund-raising activities

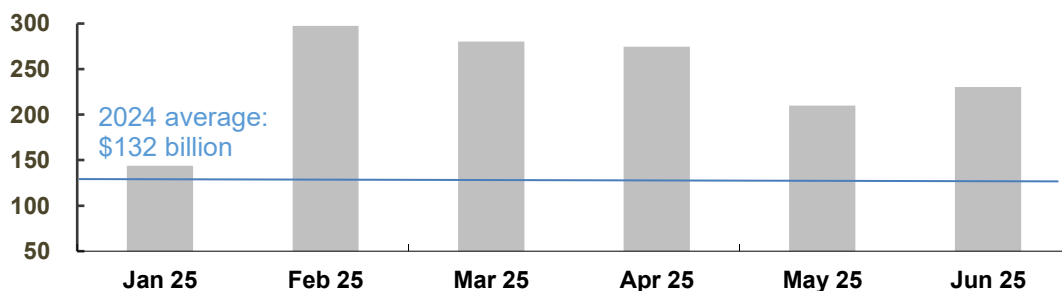
23. During the first half of 2025, the average daily turnover in the Hong Kong stock market surged 82.2% to \$240.2 billion from \$131.8 billion in 2024. There was a broad-based rise in trading (see Box 1). The increase in Hong Kong outpaced that of other major markets. In Mainland China, the US, the UK, Singapore and Australia, average daily turnover increased 9–28% in USD terms. The primary market became more active, and the amount of funds raised topped the world rankings (see Box 2).

### Box 1: Broad-based increase in Hong Kong market trading

Turnover in the Hong Kong stock market continued to rise in the first half of 2025. Notably, in February 2025, the average daily turnover rose to \$297.3 billion, marking a new monthly record high (compared to the previous record of \$255.0 billion set in October 2024). Investor sentiment was bullish, with the HSI climbing 13.4% and reaching a three-year high in February. Tech stocks led the gains, driven by positive developments in the Mainland AI industry.

Under Stock Connect, the average daily SB trading soared 130.2%. As a percentage of Hong Kong's overall market trading, the share of SB trading increased to 23.1% from 18.3% in 2024.

**Average daily turnover on Hong Kong stock market (\$ billion)**



The increase in trading was broad-based:

- Trading in Hang Seng Composite LargeCap Index (HSLI) constituents rose 75%, contributing the most (50%) to the overall increase given its large market share.
- Trading in Hang Seng Composite MidCap Index (HSMI) and Hang Seng Composite SmallCap Index (HSSI) constituents rose 83% and 140%, respectively.
- Trading in exchange-traded products (ETPs) surged 101%.

**Average daily trading in Hong Kong stock market  
(\$ billion, one-sided) by securities type<sup>2</sup>**

<b>Securities type</b>	<b>2025 H1</b>	<b>2024</b>	<b>% change</b>
HSLI constituents	125.7	71.8	+75.1%
HSMI constituents	35.4	19.4	+82.5%
HSSI constituents	15.1	6.3	+139.7%
Non-HSCI constituents	7.7	2.6	+192.7%
ETPs	37.9	18.9	+100.5%
Others	18.4	12.8	+44.1%
<b>Market total</b>	<b>240.2</b>	<b>131.8</b>	<b>+82.2%</b>

In addition, the increase in trading was observed across various investor types: funds and asset managers, proprietary trading by investment banks, retail investors and SB investors all traded more actively in the Hong Kong market. More importantly, the more active trading was due to increases in breadth and depth of the market. Whilst existing investors have traded more actively, we have observed new investors from various regions including Group of Seven countries and emerging markets participating in the Hong Kong market as well.

**Box 2: Hong Kong ranked top global IPO centre**

The primary market in Hong Kong became more active during the first half of 2025, with 42 IPOs in total. The total funds raised through IPOs in Hong Kong amounted to \$107 billion, seven times higher than the amount raised during the first half of 2024. Preliminary data showed that Hong Kong ranked first globally in IPO funds raised in the first half.

In May 2025, Hong Kong hosted the world's largest IPO so far this year, which was also the city's largest since 2021. During the first half of 2025, out of the 42 IPOs, four (10%) had fund raising sizes exceeding \$5 billion; seven were A+H stocks, raising a total of around \$77 billion.

The success of mega-sized IPOs signifies the Hong Kong market's depth and liquidity, supported by a large and diverse pool of investors from around the world. This also shows Hong Kong's capacity and potential to attract and accommodate more heavyweight companies. As investor sentiment becomes more bullish, higher valuations should lead to more listings in the Hong Kong market.

Moreover, companies listed in Hong Kong benefit from its international visibility and strong links with the Mainland. The city has served as a crucial platform for Mainland companies to access international capital. A growing number of Mainland enterprises aim to utilise Hong Kong as an offshore fund-raising platform. In addition, Hong Kong provides a deep secondary market for fund-raising with investors from across the world.

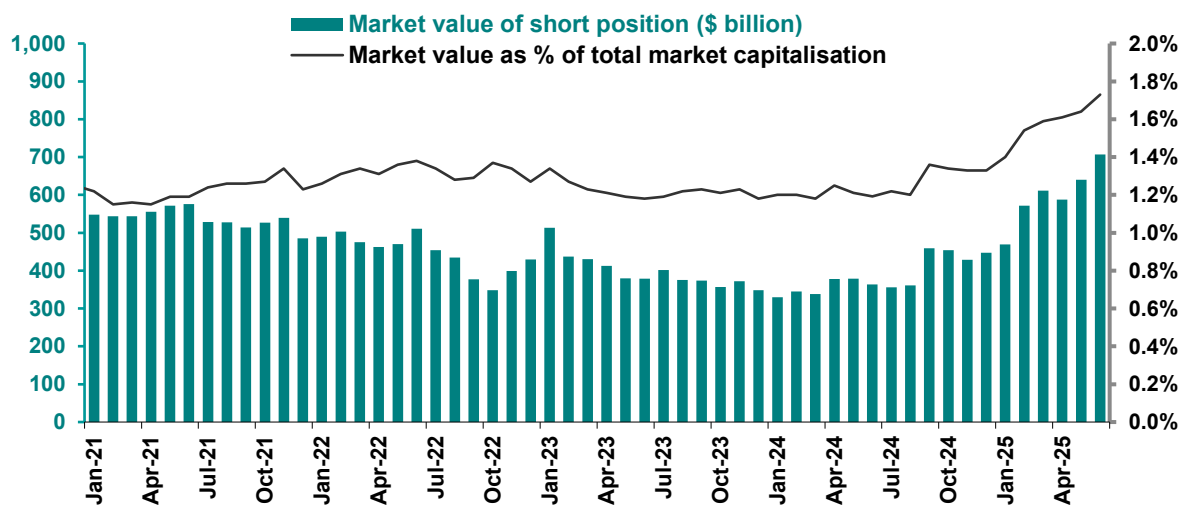
<sup>2</sup> Hang Seng Composite Index (HSCI) offers a comprehensive Hong Kong market benchmark that covers about 95% of the total market capitalisation of companies listed on the Main Board. It is subdivided into HSLI, HSMI and HSSI. Others include derivative warrants (DWs)/callable bull/bear contracts (CBBs) and real estate investment trusts (REITs).



## Short-selling activities

24. Short selling in Hong Kong remained stable as a percentage of total market turnover during the period. Daily short selling averaged \$37.0 billion, or 15.4% of total market turnover (\$20.6 billion or 15.6% in 2024).
- Of this amount, \$9.4 billion or 25.4% was attributable to exchange-traded funds and leveraged and inverse products (exchange-traded products, ETPs).
  - Excluding ETPs, average daily short selling amounted to \$27.6 billion, or 13.6% of market turnover.
25. Aggregated short positions totalled \$707.1 billion as of end-June, compared to \$447.5 billion as of end-2024. Short positions accounted for 1.73% of market capitalisation, compared to 1.33% as of end-2024. We observed that the increase was driven by normal business needs, with no concentration in any particular stocks or holders. The rise in short positions also spread across a large number of stocks and many market participants.

### Short positions in the Hong Kong stock market



## Market outlook and risks

26. Looking ahead, the Hong Kong market may continue to be influenced by evolving trade policies in the US. The impact of tariffs on global inflation and economic outlook will affect market performance. Investors will continue to closely monitor trade negotiations between the US and its trading partners. The monetary policies of major central banks will also be a key factor affecting market performance and liquidity. In Mainland China, the extent and timing of policy stimulus will affect the economic and market outlook. In addition, ongoing geopolitical conflicts in the Middle East and Ukraine may further contribute to market volatilities.

## Stock Connect

27. Stock Connect continued to account for an important share of market turnover. During the first half of 2025, for buy and sell trades:
- daily northbound (NB) trading averaged RMB171.3 billion, or 6.3% of turnover in the Mainland market (compared to RMB150.1 billion, or 7.1% of market turnover in 2024); and
  - daily SB trading averaged \$111.0 billion, or 23.1% of turnover in the Hong Kong market (compared to \$48.2 billion, or 18.3% of market turnover in 2024).

## Exchange-traded derivatives

28. During the first half of 2025, the average daily trading of exchange-traded derivatives increased 10.0% from 2024.
- The average daily trading of futures products rose 4.6%.
    - HSI futures, HSCEI futures and Hang Seng TECH futures were the most actively traded contracts, accounting for 18.3%, 22.2% and 22.3% of total futures turnover, respectively.
    - The average daily trading of Hang Seng TECH Index futures rose 36.0% from the previous year, driven partly by increasing hedging needs amid the high volatility in technology stocks. The average daily trading of HSI futures and HSCEI futures fell 5.4% and 14.2%, respectively.
  - The average daily trading of options products increased 14.4%, amongst which stock options remained the most actively traded product, accounting for 88.2% of total turnover of options products. Compared to 2024, the average daily trading of stock options rose 20.5%, whilst that of Hang Seng TECH Index Options fell 1.7%.

## OTC equity derivatives

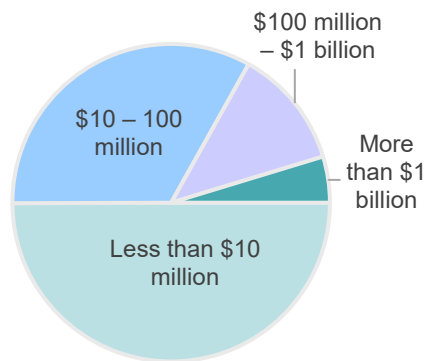
29. As of end-June 2025, the total notional value of OTC equity derivatives referencing Hong Kong stocks and indices amounted to approximately \$1.6 trillion. This accounted for 4% of the stock market capitalisation, similar to end-2024.
- The composition of OTC equity derivatives market remained relatively stable. Delta one products<sup>3</sup> were the most common (about 60-70% of the total notional value), followed by plain vanilla options (about 15-20%) and other complex products (about 15-20%).
  - OTC equity derivatives referencing Hong Kong stocks accounted for 89% of the total notional value, and Hong Kong indices accounted for the remaining 11%.
  - Investors were diversified in the OTC market. At the investor type level, OTC positions spread across over 2,000 counterparties. Investment banks were major players, driven by their client facilitation activities. Other players included asset managers (eg, mutual funds, pension funds and hedge funds), securities firms and other financial institutions. More than 80% of counterparties held positions of less than \$100 million.

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<sup>3</sup> Delta measures the sensitivity of a derivative's value to changes in the price of its underlying securities. A delta-one product is a derivative with a delta of one, giving an investor exposure similar to directly owning the underlying securities.

- There was no concentration of OTC positions at the underlying securities level. OTC positions were spread across more than 2,500 securities. About 80% of Hong Kong-listed securities had outstanding positions of less than \$100 million.
- Stocks with larger outstanding positions were typically large cap stocks, in line with the patterns in the stock market.

**Distribution of OTC positions at investor level**



**Distribution of OTC positions at underlying securities level**

