



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

Research Paper No.78: A Review of the Global and Local Securities Markets in 2025

5 February 2026

Executive Summary

1. Most major markets advanced in 2025. During the year, key US stock indices – the Dow, Nasdaq and S&P500 – rose 13.0%, 20.4% and 16.4% respectively. In Europe, FTSE, DAX and CAC gained 21.5%, 23.0% and 10.4% respectively. Chinese Mainland's SHCOMP and SZCOMP rose 18.4% and 29.3% in 2025.
2. Hong Kong stock indices outperformed most major overseas markets, as the HSI, HSCEI and Hang Seng TECH Index rose 27.8%, 22.3% and 23.5% in 2025, respectively. The HSI hit a four-year high in October and posted the largest annual percentage gain since 2017, as the Mainland and the US agreed to pause most tariffs in May 2025. Despite revived tensions in early October, subsequent negotiations brought about consensus for a trade deal. Market sentiment further improved amid interest rate reductions in the US.
3. Hopes for Mainland government measures to stimulate the economy also provided support. Given the Mainland's policy to accelerate high-end technological self-reliance, optimism about developments in artificial intelligence (AI) technology has raised investor interest in tech stocks. The RMB posted a 4.5% gain in 2025, after rising to above the 7.0 mark against the US dollar and reaching a 32-month high at one point. From international investors' perspective, this would raise the earnings of Hong Kong-listed Mainland stocks in Hong Kong dollar terms. Nevertheless, investors remained cautious about the developments in Sino-US trade relations, conflicts between China and Japan, as well as geopolitical tensions in the Middle East, Ukraine and the Korean Peninsula.
4. The Hong Kong market has remained resilient, with orderly trading and normal operations across various market segments. The average daily trading in the Hong Kong stock market surged 89.5% to \$249.8 billion¹ from \$131.8 billion in 2024, with increased trading across different types of securities and investors. The average daily trading of exchange-traded derivatives increased 7.5%. In the over-the-counter (OTC) derivatives market referencing Hong Kong stocks and indices, the notional value was around \$1.8 trillion. This accounted for 4% of Hong Kong's total stock market capitalisation, similar to end-2024 levels.
5. Northbound (NB) and southbound (SB) trading under Stock Connect became more active in 2025, with average daily trading rising 41.5% and 151.2% respectively compared to 2024. SB net buy reached an annual record high.
6. Short selling in Hong Kong increased in value terms but decreased as a percentage of market trading in 2025. Short positions also rose, partly due to price effect and growing hedging activities following the market rally. 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.

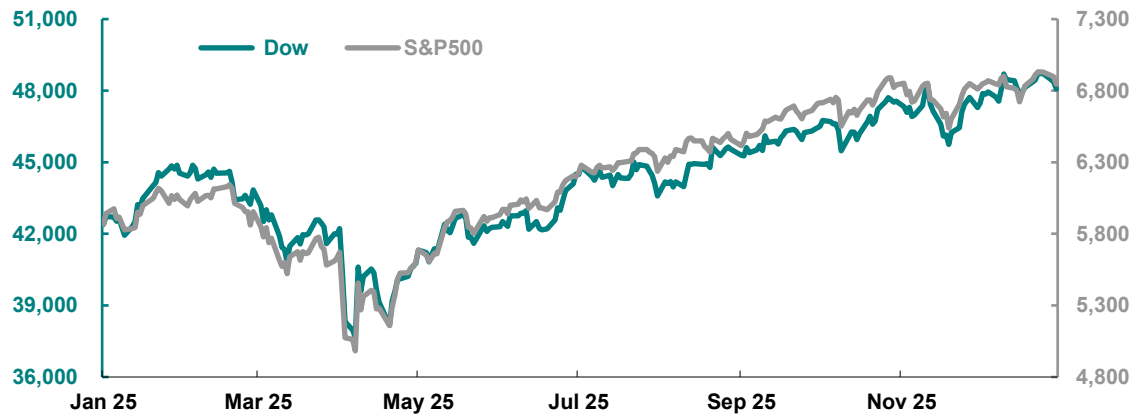
¹ Unless otherwise stated, \$ denotes the Hong Kong dollar.

Performance of stock markets

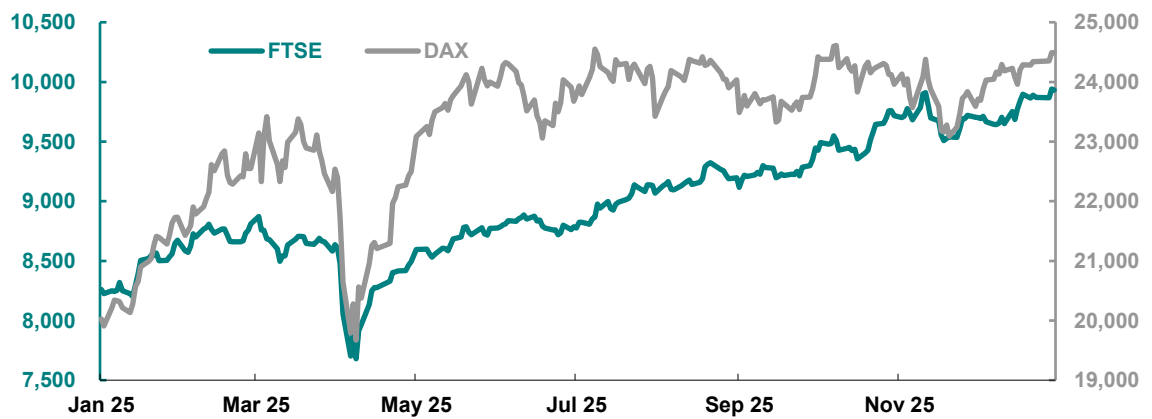
Overseas markets

7. In the US, the Dow, Nasdaq and S&P500 rose 13.0%, 20.4% and 16.4% respectively in 2025. In Europe, FTSE, DAX and CAC gained 21.5%, 23.0% and 10.4% respectively. During the year, all these major US and European indices hit successive record highs.
8. Accommodative monetary policies in the US and Eurozone provided support for the markets. In 2025, the Federal Reserve lowered interest rates for three times by a total of 75 basis points (bps), whilst both the European Central Bank and the Bank of England cut interest rates for four times by a total of 100 bps. There was also optimism over the German fiscal stimulus to increase spending in defence and infrastructure.
9. The US economy appeared to be resilient, with robust GDP growth of 3.8% and 4.4% in the second and third quarters of 2025. Ongoing enthusiasm on the AI sector and upbeat corporate earnings supported market sentiment.
10. Meanwhile, trade tensions had eased. After the US announced new tariffs in April, positive progress was made in trade relations between the US and its key trading partners. These included trade deals with the European Union, the UK and Japan, as well as an agreement to extend the tariff truce with the Mainland until November 2026. Despite these developments, there were uncertainties in the trade policies of major economies.
11. Nevertheless, US Treasuries and the US dollar remained under pressure amid US policy uncertainties. Growing government debt level also weighed on investor confidence. The US 10-year Treasury yield remained elevated at around 4.16% as of end 2025, whilst the USD index depreciated 9.4% during 2025. Moody's downgraded the US credit rating from Aaa to Aa1 in May. Valuation concerns heightened after major markets hit record highs. Market sentiment was also affected by worries about the expansion of private credits and losses of US regional banks with exposures to them.

Performance of the Dow and S&P500 in 2025



Performance of FTSE and DAX in 2025



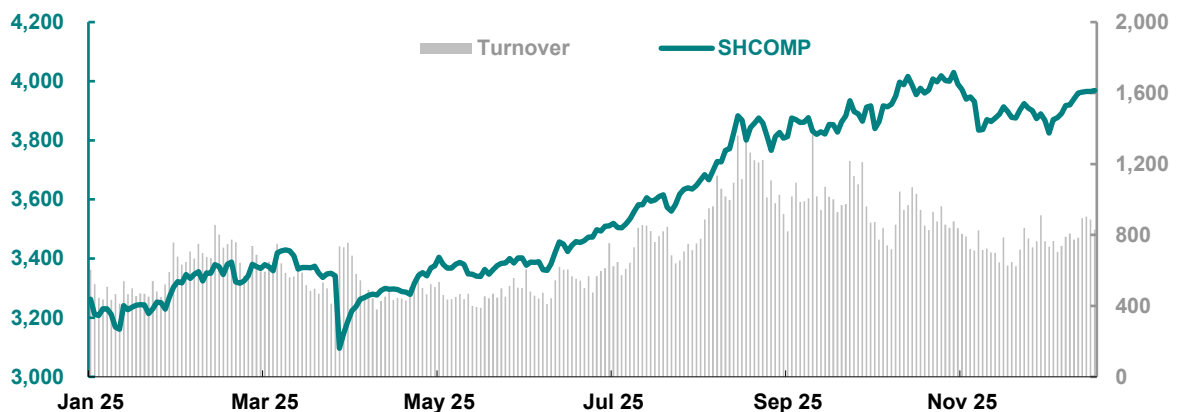
Performance of major stock markets

		Index level	% change		
			2025	2024	2023
Hong Kong	-HSI	25,630.5	+27.8%	+17.7%	-13.8%
	-HSCEI	8,913.7	+22.3%	+26.4%	-14.0%
	-HS TECH	5,516.0	+23.5%	+18.7%	-8.8%
Chinese Mainland	-SHCOMP	3,968.8	+18.4%	+12.7%	-3.7%
	-SZCOMP	2,531.0	+29.3%	+6.5%	-7.0%
US	-Dow	48,063.3	+13.0%	+12.9%	+13.7%
	-Nasdaq	23,242.0	+20.4%	+28.6%	+43.4%
	-S&P500	6,845.5	+16.4%	+23.3%	+24.2%
UK	-FTSE	9,931.4	+21.5%	+5.7%	+3.8%
Germany	-DAX	24,490.4	+23.0%	+18.8%	+20.3%
France	-CAC	8,149.5	+10.4%	-2.2%	+16.5%

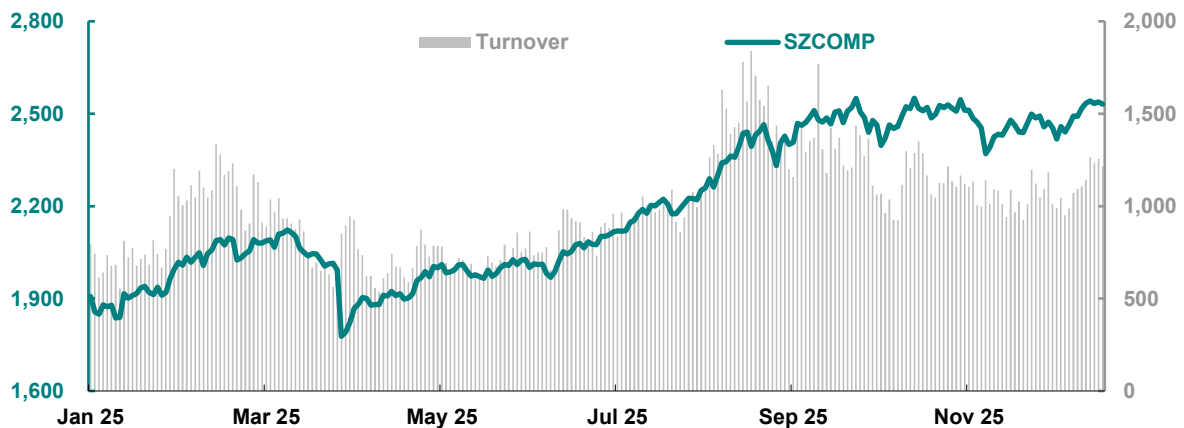
Chinese Mainland

12. In 2025, the SHCOMP and SZCOMP rose 18.4% and 29.3% respectively. The SHCOMP hit a 10-year high and recorded the largest annual percentage gain since 2019. The average daily trading in the Mainland market rose 62.0% to RMB1,702.8 billion from RMB1,051.3 billion in 2024.
13. Stimulus measures boosted market sentiment. In January, financial authorities jointly unveiled a plan to encourage medium- and long-term funds into the capital market to stabilize stock performance. Policies to provide liquidity support for the stock market and measures to boost consumption and technology investments also supported the market. The People's Bank of China reduced the reserve requirement ratio by 50 bps and policy interest rate by 10 bps. The Nation's 15th Five-Year Plan unveiled priorities to boost tech innovation and consumption.
14. Tech stocks gained amid optimism over technological breakthroughs in the AI sector and prospects for domestic chip sector development. GDP growth achieved the official target of 5.0% for 2025. Sino-US trade tensions (specifically, in the first half of 2025) weighed on the market, but later eased following the extension of the tariff truce.

SHCOMP performance and market trading (RMB billion) in 2025



SZCOMP performance and market trading (RMB billion) in 2025

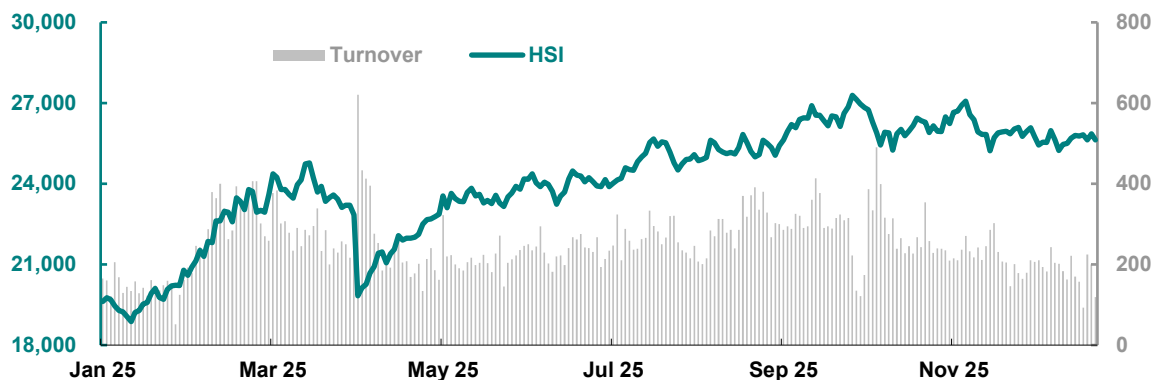


Hong Kong

Market performance

15. In 2025, the HSI, HSCEI and Hang Seng TECH Index rose 27.8%, 22.3% and 23.5% respectively, outperforming most major overseas markets. Market sentiment was lifted by the advancements in the AI sector. Hopes for policy measures on the Mainland to stimulate economic growth bolstered investor confidence. Market trading was active (please refer to Box 1).
16. Whilst the market experienced volatility after the US announced new tariff policies in April, global trade tensions alleviated after the US signed trade deals with major trading partners and Sino-US trade negotiations progressed with positive developments.
17. Optimism over monetary easing by major central banks and easing concerns about the global economic outlook also lent support.
18. In 2025, the RMB strengthened by 4.5% to a 32-month high at one point, which further boosted investor interest. From international investors' perspective, a stronger RMB implies better reported earnings for Mainland stocks in Hong Kong dollar terms.
19. In late 2025, investors became cautious about the sustainability of the market rally. Profit-taking activities grew as the market accumulated substantial gains, especially after the HSI hit a four-year high in October.
20. The Hong Kong market has remained resilient despite some volatility. Various market segments, including trading and settlements, have also operated in an orderly manner.

HSI performance and market Trading (\$ billion) in 2025



Box 1: Strong growth in Hong Kong market trading and fund-raising activities

After gaining 17.7% in 2024, the HSI rose by another 27.8% in 2025. Under a bullish environment, Hong Kong recorded sharp increases in trading and fund-raising activities.

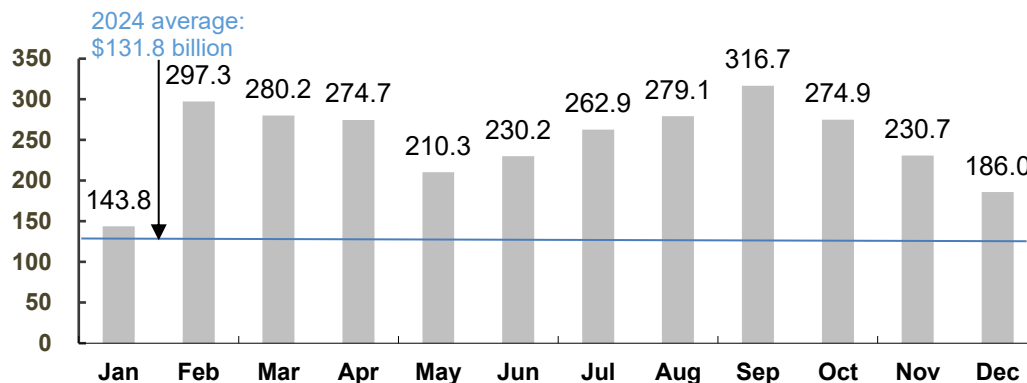
More active trading

The average daily trading rose to an annual record high of \$249.8 billion in 2025, up 89.5% from \$131.8 billion in 2024. Trading in Hong Kong recorded broad-based growth, which was more significant than most other major markets (up 12 – 63%).

- The increase in trading spread 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, trading became more active due to increases in the breadth and depth of the market. Whilst existing investors have traded more actively, we have observed new investors participating in the Hong Kong market from various regions, including developed countries and emerging markets.
- Under Stock Connect, the average daily SB trading soared 151%. As a percentage of Hong Kong's overall market trading, the share of SB trading increased to 24.2% from 18.3% in 2024.
- By stock size, trading of large-cap stocks increased by 76% compared to 2024, accounting for about 50% of market trading.

Notably, in September 2025, the average daily trading rose to a new monthly record high of \$316.7 billion.

Average daily trading on Hong Kong stock market in 2025 (\$ billion)



Increase in fund-raising activities

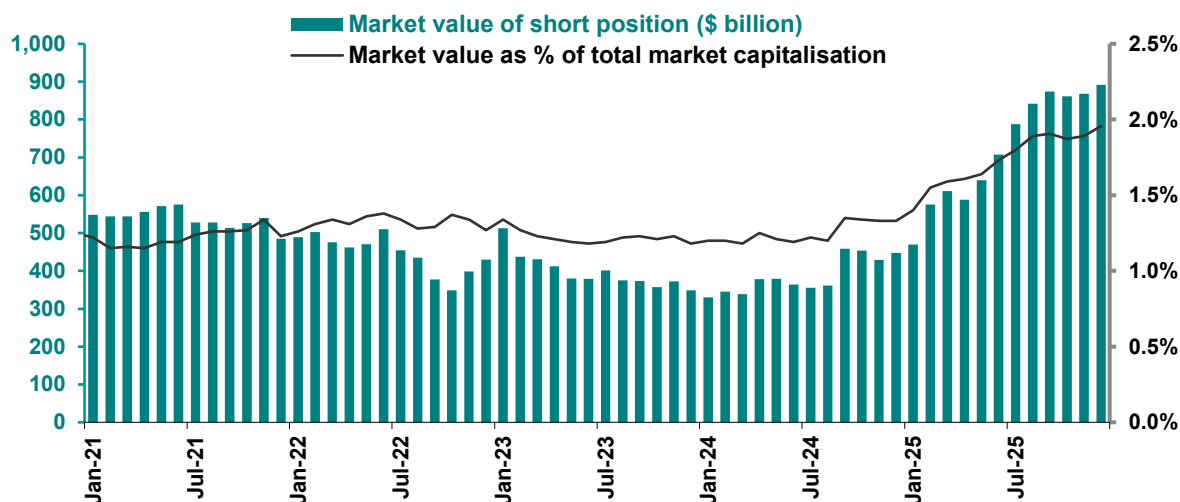
Hong Kong became the world's largest initial public offering (IPO) fund-raising centre in 2025. There were 113 IPOs listed on the Main Board, raising funds of \$285.8 billion, compared to \$88.0 billion in 2024.

Post-IPO fund raising activities (including placements and rights issue) have also become more active. In 2025, placements and rights issue activities reached \$279.7 billion, 330% higher than in 2024.

Short-selling activities

21. In 2025, short selling in Hong Kong increased in value terms but decreased as a percentage of total market trading. Daily short selling trading averaged \$37.6 billion or 15.1% of total market trading, compared to \$20.6 billion or 15.6% in 2024.
 - Of the total of \$37.6 billion, \$8.9 billion or 23.6% was attributable to exchange-traded funds (ETFs) and leveraged and inverse products (collectively known as ETPs). The majority of the short-selling activities of ETPs were conducted by market makers, which were involved in providing liquidity to the market. More importantly, the short positions in ETPs held by market makers were generally closed out within a short period of time. As the short selling of ETPs is unlikely to pose a significant systemic impact on the market, it is useful to differentiate the short selling of ETPs and stocks.
 - Excluding ETPs, average daily short selling trading amounted to \$28.7 billion or 13.4% of market trading.
22. For the market as a whole, the market value of reportable short positions rose, partly due to price effect and hedging activities amid the market rally. Based on the data submitted to the Securities and Futures Commission (SFC), aggregated short positions rose to \$891.9 billion as of end-2025 (versus \$447.5 billion as of end-2024). Short positions accounted for 1.96% of market capitalisation, compared to 1.33% as of end-2024. 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.

Short positions in the Hong Kong stock market



Market outlook and risks

23. Looking ahead, the Hong Kong market will continue to be influenced by macro external factors. Global market performance will likely be affected by evolving trade policies in major economies. At the same time, monetary stances of major central banks will affect market sentiment. Valuation concerns may linger as major markets have hit their multi-year or record highs. Investors will remain cautious about a potential technology sector bubble and the risk of a substantial market correction, as well as possible spillover to the Hong Kong market.

Stock Connect

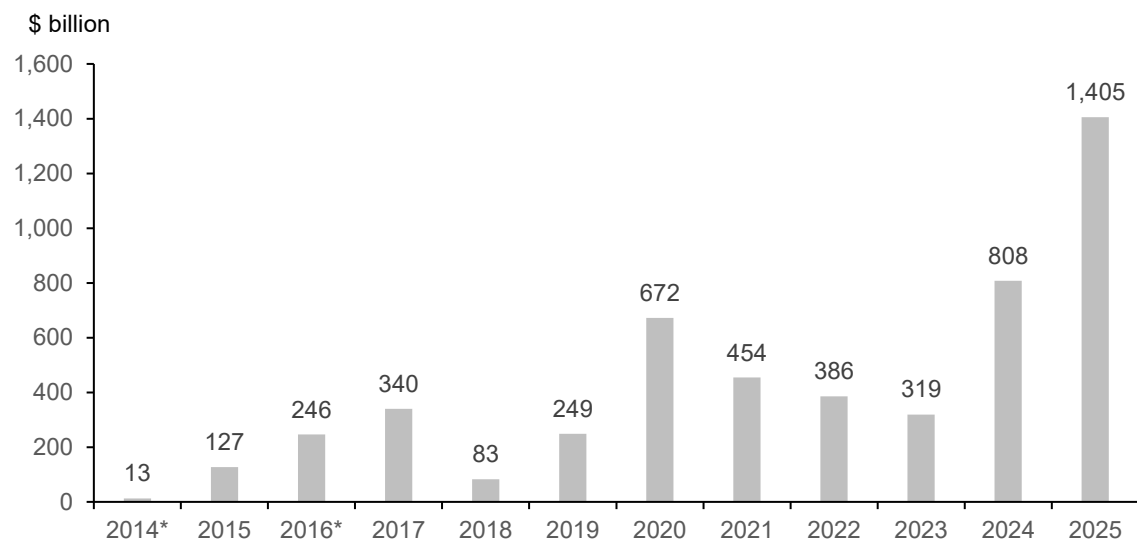
24. Trading under Stock Connect continued to increase. During 2025:
- daily NB trading (including buy and sell trades) averaged RMB212.4 billion, or 6.2% of trading in the Mainland market (compared to RMB150.1 billion, or 7.1% of market trading in 2024); and
 - daily SB trading (including buy and sell trades) averaged \$121.1 billion, or 24.2% of trading in the Hong Kong market (compared to \$48.2 billion, or 18.3% of market trading in 2024) (please refer to Box 2).

Box 2: Continued Stock Connect inflows support the Hong Kong market

As at end-2025, the cumulative net buy under SB trading exceeded \$5 trillion.² This was more than 10% of the Hong Kong stock market capitalisation.

- SB net buy reached an annual record high of \$1.4 trillion in 2025 (74% higher than in 2024).
- Since July 2023, SB trading has recorded 30 consecutive months of net buy.

SB net buy since the launch of Stock Connect



*Shanghai-Hong Kong Stock Connect was launched on 17 November 2014 and Shenzhen-Hong Kong Stock Connect on 5 December 2016.

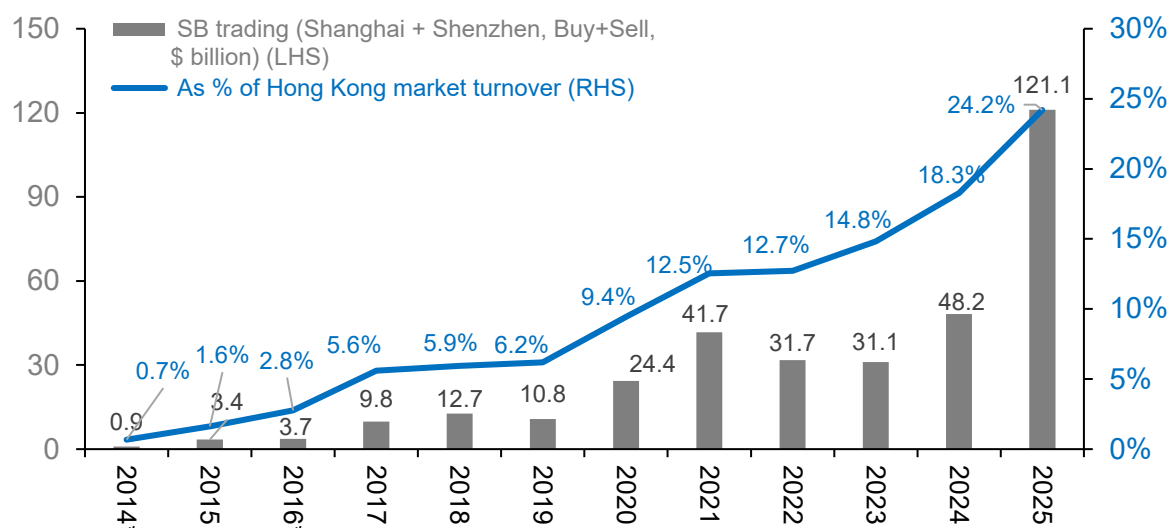
Strong SB inflows continued, mainly attributable to:

- **Interests in large-cap stocks** – The top 20 stocks, including HSI heavyweights and industry leaders, accounted for nearly 50% of total SB net buy in 2025. Of these 20 stocks, 16 were HSI constituents. Most were Mainland stocks with which SB investors were more familiar.
- **Interests in new economy stocks** – There were SB inflows to leading new economy stocks which had a strong Mainland presence but were not listed there. The breakthrough of DeepSeek has been a key catalyst for the sector. Altogether, top new economy stocks recorded a SB net buy of \$505.4 billion (about 36% of the SB total in 2025).
- **Attractive valuations** – The price-to-earnings ratios of the HSI and the HSCEI were about 13 times and 12 times, which were low compared to other major stock markets (the SHCOMP, Nikkei and the S&P500 at 19-27 times). In 2025, the premium of Mainland A shares over their corresponding H shares listed in Hong Kong averaged at 28%, as reflected by the Hang Seng Stock Connect China AH Premium Index².
- **Portfolio diversification** – Stock Connect has provided a channel for Mainland investors to broaden their investment scope and reduce risks through portfolio diversification.

² The Hang Seng Stock Connect China AH Premium Index measures the absolute price premium (or discount) of A shares over H shares for the largest and most liquid Mainland companies with both A-share and H-share listings. The A-share and H-share prices of the same company are not the same due to differences in the Mainland and Hong Kong's stock market characteristics, such as different market environments, investor mix and the inconvertibility between A shares and H shares.

In addition, SB Stock Connect is an important source of liquidity for Hong Kong's equity market. SB trading accounted for an increasing share of the Hong Kong market trading, rising to 24% in 2025. This was a record high since the launch of Stock Connect, up from about 12% five years ago. On some days, the share of SB trading reached 30%.

SB trading amount and share of Hong Kong stock market trading



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Exchange-traded derivatives

25. In 2025, the average daily trading of exchange-traded derivatives increased 7.5%.

- Trading of futures products fell 2.9% in 2025.
 - HSI futures, HSCEI futures and HSTECH futures were the most actively traded contracts, accounting for 18.8%, 22.0% and 23.1% of total futures trading.
 - Trading of HSI futures and HSCEI futures fell 9.8% and 21.0% respectively, whilst that of Hang Seng TECH Index futures increased 31.2% from 2024, partly due to increasing hedging needs amid higher volatility in technology stocks.
- Trading of options products increased 15.8%. Stock options remained the most active, accounting for 88.3% of total trading of options products. Trading of stock options rose 22.1% from 2024.

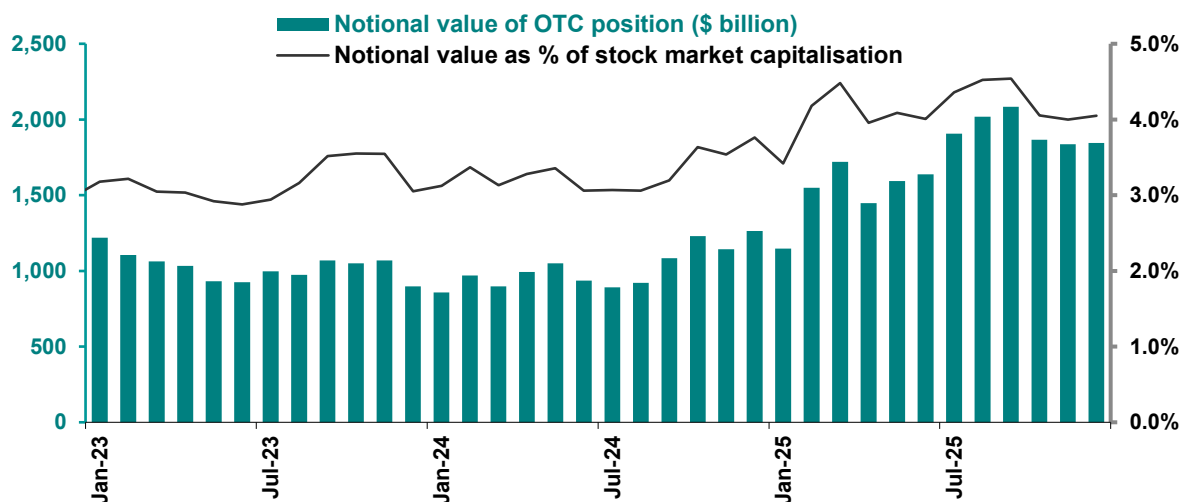
26. As of end-2025, the open interests of exchange-traded derivatives rose 26.7% compared to end-2024, driven by the strong growth in open interests of options products.

OTC equity derivatives

27. As of end-2025, the total notional value of OTC equity derivatives referencing Hong Kong stocks and indices amounted to approximately \$1.8 trillion (please refer to Box 3). This accounted for 4% of the stock market capitalisation, similar to the end-2024 level.

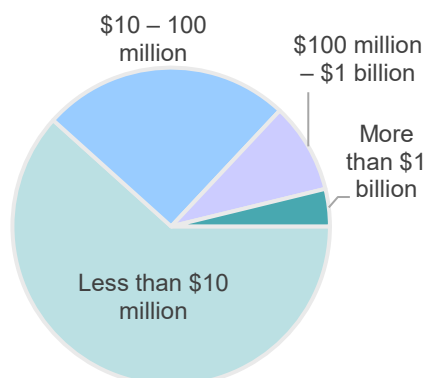
- The composition of OTC equity derivatives products remained relatively stable. Delta one products³ were the most common (about 70-80% of the total notional value), followed by plain vanilla options (about 15-25%) and other complex products (about 5%).
- OTC equity derivatives referencing Hong Kong stocks accounted for 88% of the total notional value, and Hong Kong indices accounted for the remaining 12%.
- The OTC market featured a diverse range of investors. At the investor type level, the OTC positions spread across over 2,200 counterparties. Investment banks were major players, driven by their client facilitation activities. Other players included asset managers (such as mutual funds, pension funds and hedge funds), securities firms and other financial institutions. More than 80% of the counterparties had positions of less than \$100 million.
- There was no concentration on OTC positions at the underlying securities level. OTC positions were spread across more than 2,600 securities. About 75% of Hong Kong-listed securities had outstanding positions of less than \$100 million.

Notional value of OTC equity derivatives market

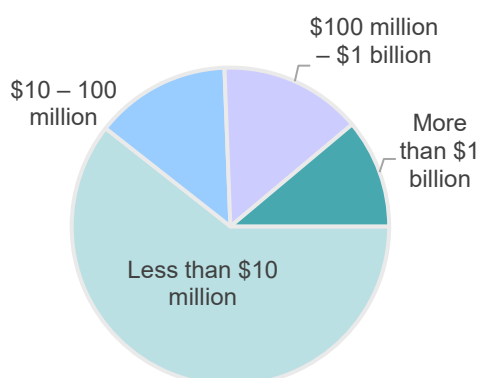


³ Delta measures the sensitivity of a derivative's value to changes in the price of the underlying securities. A delta one product has a delta of one, giving an investor the similar exposure as if the investor were to own the underlying securities.

Distribution of OTC positions at investor level



Distribution of OTC positions at underlying securities level



Box 3: Monitoring positions in the OTC equity derivatives market

The SFC has developed a comprehensive monitoring framework covering different market segments in the securities market.

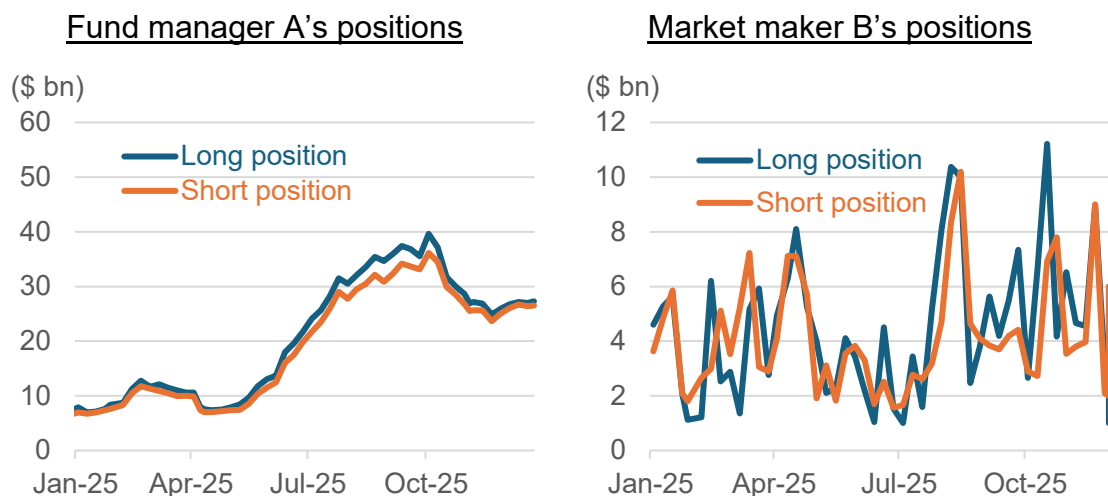
- In the exchange-traded market, the short position reporting (SPR) regime covers the Hong Kong stock market, and the large open positions (LOP) reporting regime covers the derivatives market.
- The mandatory OTC derivatives reporting regime⁴ supplements the other regimes by providing greater transparency to the on-exchange activities of major investment banks. It greatly enhances the monitoring of aggregated positions of investors across different market segments.

Data collected from various reporting regimes contains the identity information of position holders, allowing the SFC to aggregate positions established by investors across the stock market, exchange-traded derivatives market and the OTC market to form a holistic assessment. Based on the sizes, directions and changes in positions held by market participants, the SFC is able to monitor potential risks to market stability and risks arising from interconnectedness in a timely manner, particularly under extreme market situations.

The SFC notes that some fund managers and market makers held comparable sizes of long and short positions after aggregating their on-exchange and OTC positions (see the examples below). These investors seem to have balanced long and short positions, and such positions usually move in tandem. These asset managers and market makers do not seem to have significant speculative or directional view on the overall Hong Kong market.

⁴ The mandatory OTC derivatives reporting regime covers the OTC transactions booked at authorized institutions / licensed corporations or conducted in Hong Kong.

Examples of investors' positions in different market segments

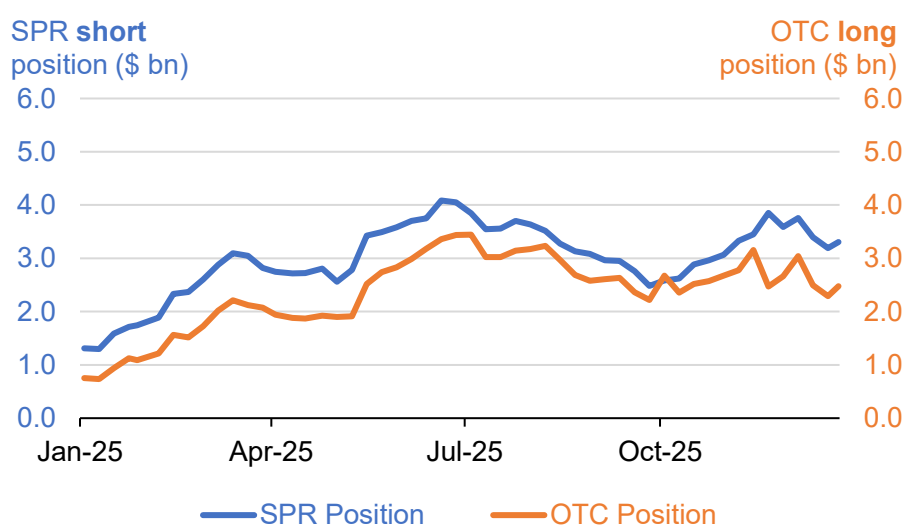


The SFC also cross-checks and monitors positions in different market segments, and notes that investment banks often report on-exchange and OTC positions in the same underlying securities, but in opposite market directions (see the examples below) as investment banks may use the underlying stocks and exchange-traded derivatives to hedge their positions established in the OTC market for their client facilitation business. The sizes and changes in these positions seem to be in line with each other, indicating that activities in the OTC market are somewhat reflected in the exchange-traded market.

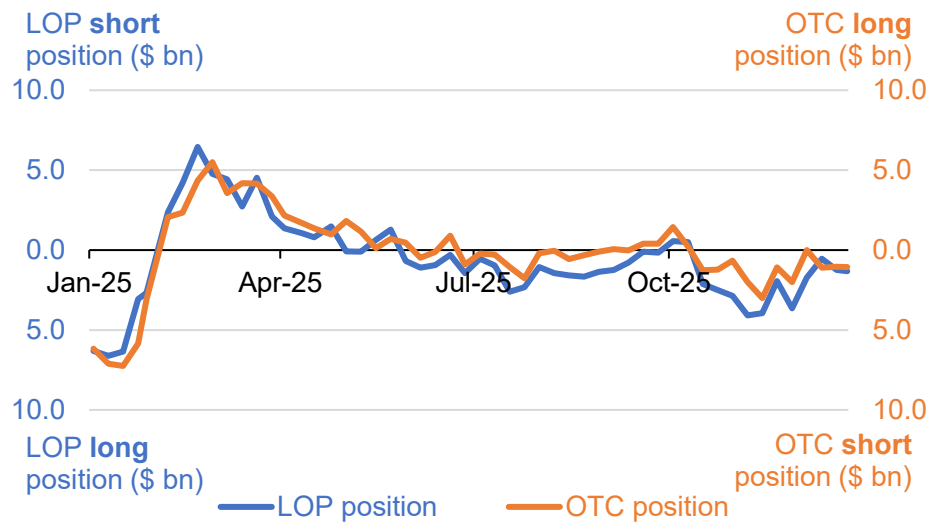
It should also be noted that the hedging activities of investment banks may be conducted on a portfolio basis and the relationship between the on-exchange and OTC positions may not necessarily be one-to-one.

Examples of investment banks' positions in different market segments

Investment bank X's positions on a major stock



Investment bank Y's positions on a flagship index



In addition to the sizes, directions and changes in positions, the OTC data reveals the types and geographical locations of investors as well as the use of multiple brokers by market participants. This facilitates the SFC's monitoring of risks related to the interconnectedness of market participants.