



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

Research Paper No.76: A Review of the Global and Local Securities Markets in 2024

18 February 2025

Executive Summary

1. Most of the major markets worldwide advanced in 2024. During the year, major US stock indices – the Dow, Nasdaq and S&P500 – rose 12.9%, 28.6% and 23.3% respectively. FTSE and DAX in Europe gained 5.7% and 18.8% respectively, whilst CAC fell 2.2%. Mainland China’s SHCOMP and SZCOMP rose 12.7% and 6.5% in 2024.
2. Hong Kong’s HSI, HSCEI and Hang Seng TECH Index rose 17.7%, 26.4% and 18.7% respectively, outperforming most major overseas markets. Optimism over policy measures introduced by the Mainland authorities provided support. Investor sentiment improved after the China Securities Regulatory Commission (CSRC) announced the five measures on capital market cooperation with Hong Kong in April. Market gain accumulated after the Mainland authorities announced a series of new policy stimuli on 24 September. The HSI hit a two-year high in October. Optimism over monetary easing by major central banks and alleviating concerns about the global economic outlook also lent support. Nevertheless, investors remained cautious about the trade tensions between the Mainland and the West as well as geopolitical tensions in the Middle East, Ukraine and the Korean Peninsula.
3. Whilst the Hong Kong market made a number of records in terms of performance and trading in 2024 amid increased volatility, the market remained resilient (Box 1). The average daily turnover in the Hong Kong stock market rose 25.5% to \$131.8 billion¹ in 2024 from the \$105.0 billion in 2023 (Box 2), with increased trading across different types of securities. The primary market was getting more active, with the total initial public offering (IPO) funds raised rising 89.9% to \$88.0 billion in 2024. The average daily turnover of exchange-traded derivatives increased 15.3%. For over-the-counter (OTC) derivatives referencing Hong Kong stocks and indices, the notional value remained stable at around \$1.3 trillion as of end-2024.
4. Northbound (NB) and southbound (SB) trading became more active in 2024, with average daily trading rising 38.6% and 54.9% respectively compared to 2023 (Box 3).
5. Short selling in Hong Kong increased in value terms but decreased as a percentage of market turnover in 2024. Short positions also rose, partly due to price effect. Also, there were no signs of building up of large short positions in individual stocks or concentration of short positions in any particular securities or holders.

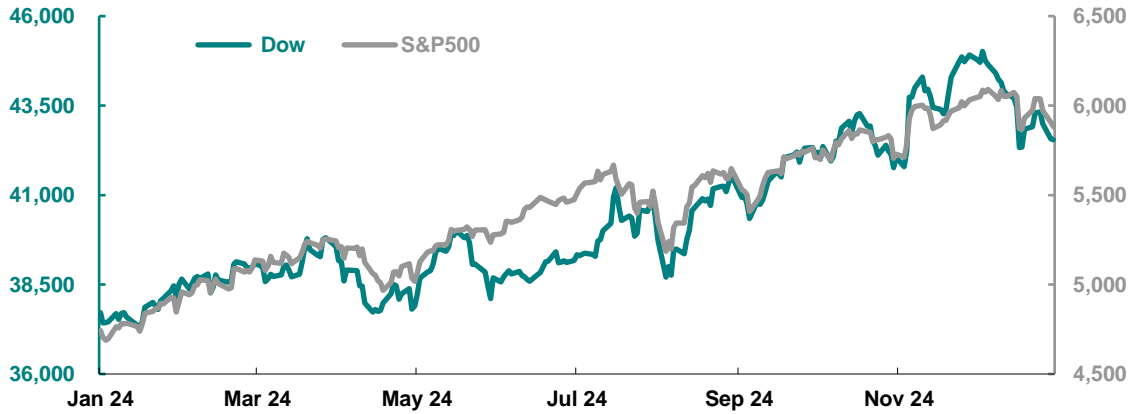
¹ Unless otherwise stated, \$ denotes the Hong Kong dollar.

Performance of stock markets

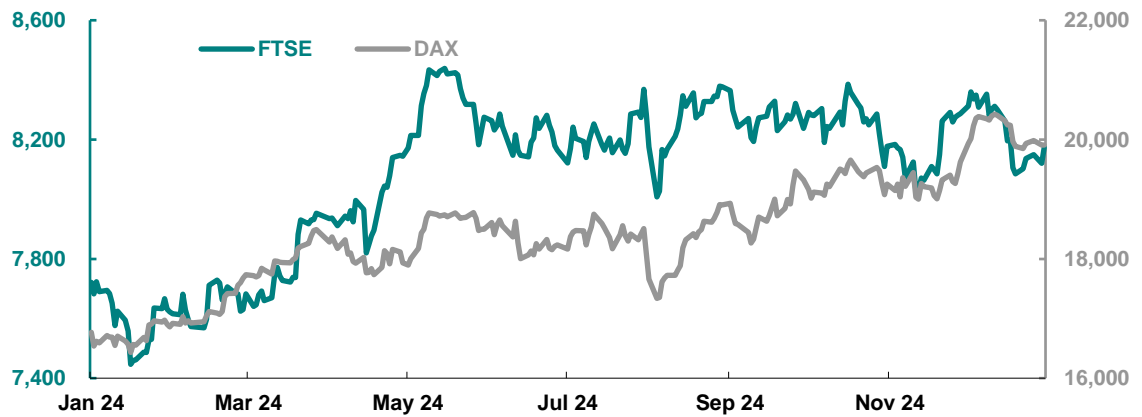
Overseas markets

6. In the US, the Dow, Nasdaq and S&P500 rose 12.9%, 28.6% and 23.3% respectively in 2024. During the year, the three indices hit successive record highs. In Europe, FTSE and DAX rose 5.7% and 18.8% respectively in 2024, whilst CAC fell 2.2%, with DAX hitting a new high.
7. Market sentiment turned bullish as major central banks commenced monetary easing amid signs of moderating inflation. In the US, the Federal Reserve lowered interest rates three times for a total of 100 basis points (bps) during September – December 2024. In Europe, the European Central Bank reduced interest rates four times for a total of 100 bps during June – December 2024. Both central banks signalled further interest rate cuts in 2025. Nevertheless, some market participants are of the view that the new US administration’s policies may affect the future paths of inflation and interest rate cuts.
8. Rate-sensitive technology stocks in the US outperformed, supported by favourable prospects for the artificial intelligence sector. Economic data remained resilient. In the third quarter of 2024, the US gross domestic product (GDP) grew by a robust 3.1% and the Eurozone GDP growth of 0.4% exceeded market expectations.
9. Political uncertainties eased in the second half of 2024, following the UK general election in July, and the US presidential election in November. The market was optimistic on the economic outlook under the new US administration, given anticipation of pro-business policies including deregulation of the financial sector, tax cuts and increased spending.
10. Yet, uncertainties about trade relations between the US and its trading partners heightened. Investor sentiment was also affected by ongoing geopolitical conflicts in the Middle East, Ukraine and the Korean Peninsula. Valuation concerns persisted as major US and European market indices hit successive record highs.

Performance of the Dow and S&P500 in 2024



Performance of FTSE and DAX in 2024



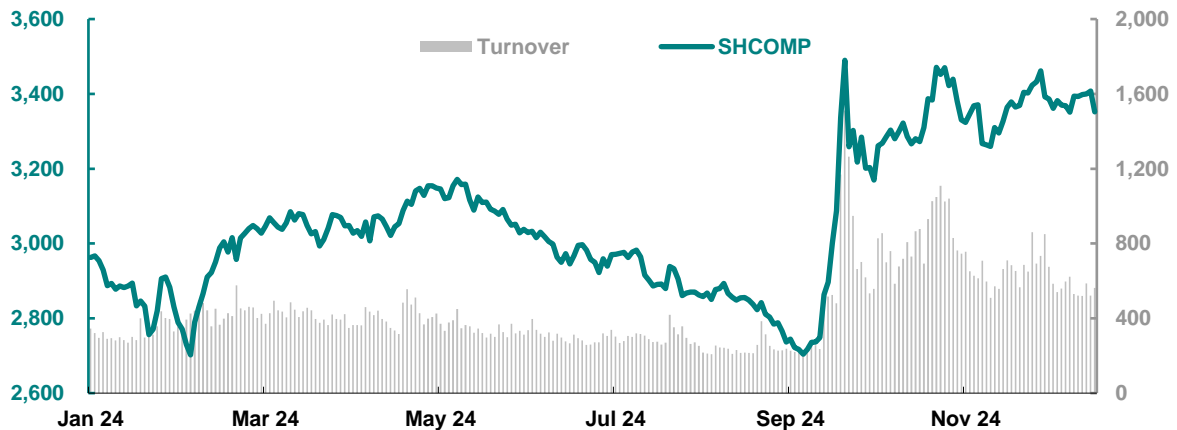
Performance of major stock markets

		Index level	% change		
			2024	2023	2022
Hong Kong and the Mainland China					
Hong Kong	-HSI	20,060.0	+17.7%	-13.8%	-15.5%
	-HSCEI	7,289.9	+26.4%	-14.0%	-18.6%
	-HS TECH	4,468.1	+18.7%	-8.8%	-27.2%
Mainland China	-SHCOMP	3,351.8	+12.7%	-3.7%	-15.1%
	-SZCOMP	1,957.4	+6.5%	-7.0%	-21.9%
US					
US	-Dow	42,544.2	+12.9%	+13.7%	-8.8%
	-Nasdaq	19,310.8	+28.6%	+43.4%	-33.1%
	-S&P500	5,881.6	+23.3%	+24.2%	-19.4%
Europe					
UK	-FTSE	8,173.0	+5.7%	+3.8%	+0.9%
Germany	-DAX	19,909.1	+18.8%	+20.3%	-12.3%
France	-CAC	7,380.7	-2.2%	+16.5%	-9.5%

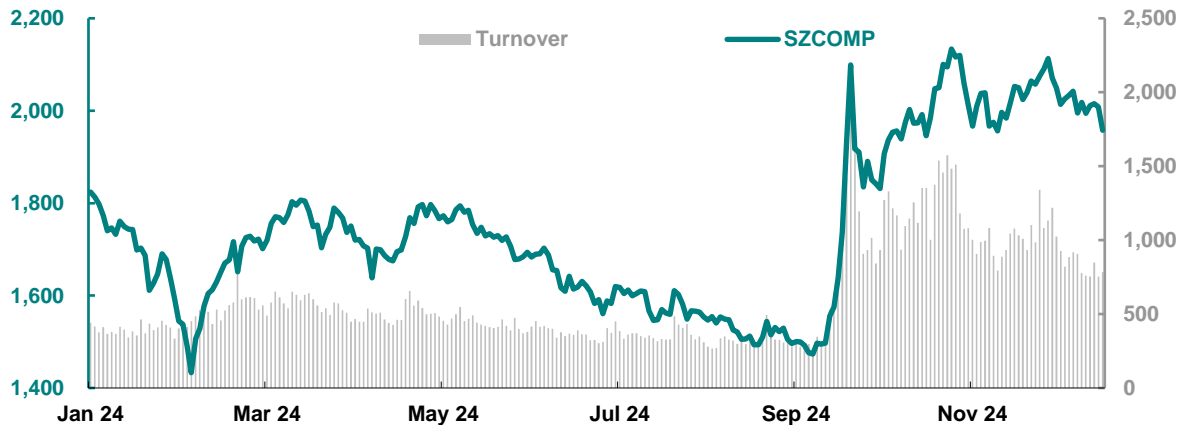
Mainland China

11. In 2024, the SHCOMP and SZCOMP rose 12.7% and 6.5% respectively. The average daily turnover in the Mainland market rose 20.2% to RMB1,051 billion from RMB874 billion in 2023. Most gains were recorded after the Mainland authorities announced supportive measures on 24 September, driving up the two indices by 21.9% and 30.8%, and average daily trading by 132.3% since then.
12. Policy optimism drove the bullish market sentiment. For example, in April, the State Council unveiled the “Guideline on strengthening regulation, forestalling risks and promoting the high-quality development of the capital market” (國九條), fuelling prospects for accelerated capital market reform. On 24 September, Mainland authorities jointly announced a series of new policy stimuli to boost consumption, stabilise the property sector and support the stock market. These measures included a reserve requirement ratio cut of 50 bps and lowering of mortgage rate by around 50 bps.
13. Yet, investors remained cautious about the economic outlook, property sector conditions and deflation risk. The Mainland GDP expanded 4.7% and 4.6% in the second and third quarters, compared to the official growth target of 5% for 2024. The International Monetary Fund lowered the Mainland’s GDP growth forecast from 5% to 4.8% for 2024.
14. There were escalated concerns about Sino-US trade relations under the new US administration, including tariff increase for Mainland imports. The RMB weakened 2.7% against the USD in 2024, with most of the decline recorded after the US presidential election.

SHCOMP performance and market turnover (RMB billion) in 2024



SZCOMP performance and market turnover (RMB billion) in 2024



Hong Kong

Market performance

15. In 2024, the HSI, HSCEI and Hang Seng TECH Index rose 17.7%, 26.4% and 18.7% respectively, outperforming most major overseas markets. Market sentiment improved following optimism over policy support introduced by the Mainland authorities, which spurred international investors' confidence in Mainland-related stocks. After hitting a 15-month low in January, the HSI rebounded after the CSRC announced five measures on capital market cooperation with Hong Kong in April. Then, it had accumulated gain after the Mainland authorities announced a series of new policy stimuli in late September and hit a two-year high in October.
16. Meanwhile, rate-sensitive tech stocks paced gains amid hopes for interest rate cuts by major central banks. Prospects for the Mainland Government's measures to prop up the real estate sector lent support.
17. Nevertheless, a weaker RMB (-2.7% against the USD in 2024) added to worries about earnings of Mainland stocks in HKD terms. In addition, uncertainties about trade relations between the Mainland and the West as well as geopolitical conflicts in the Middle East, Ukraine and the Korean Peninsula weighed on the market.

HSI performance and market turnover (\$ billion) in 2024



Box 1: Hong Kong market remained resilient during volatile periods with active trading

The Hong Kong market made a number of records in terms of performance and trading in 2024. Despite the volatile performance and active trading, the market remained orderly with smooth trading and settlements. Operations in various market segments remained normal.

Market performance

- The HSI rose 4,852 points during 24 September – 7 October 2024, the largest nine-day gain on record. The index advanced 5,991 points from its low in mid-September, the largest-ever gain in an uptrend.
- Following a sharp rally, however, the index corrected 2,172 points on 8 October, the largest single-day point decline on record.

Trading and short selling in stock markets

- In the stock market, daily turnover on the Main Board hit a record high of \$620.4 billion on 8 October.
- Under Stock Connect, SB and NB trading hit record highs of \$280.3 billion and RMB510.1 billion respectively on 8 October.
- Short selling turnover hit a new high of \$75.8 billion on 8 October. Given the active trading, however, the short selling ratio remained low at 12.2% of total market turnover.

Trading and open interests in derivatives market

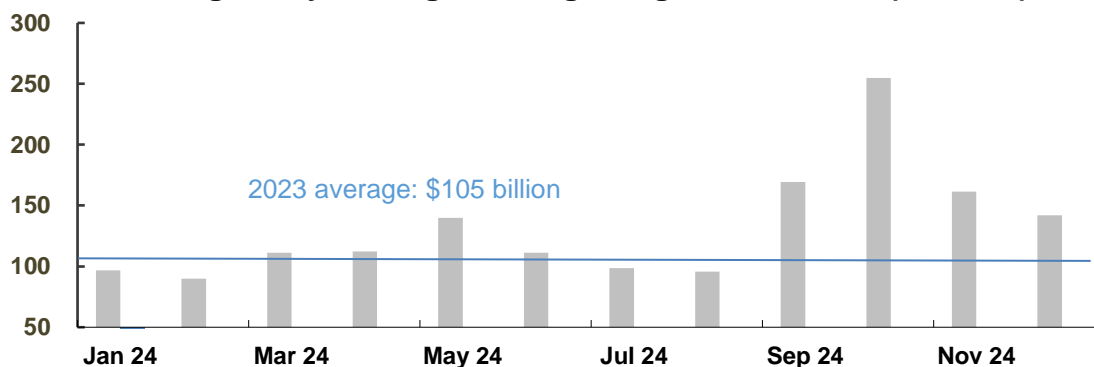
- The derivatives market posted record highs for trading in HSCEI Futures Options (~137,000 contracts on 9 October), stock futures (~48,000 contracts on 8 October) and stock options (~2.43 million contracts on 27 September).
- Record highs were also posted for open interests of HSCEI Futures Options (~1.23 million contracts on 14 November), stock futures (~72,000 contracts on 7 October) and stock options (~18.0 million contracts on 27 November).

Box 2: Increase in Hong Kong market trading spread across different securities types following improvement in investor sentiment

Turnover in the Hong Kong stock market rose in 2024, with average daily turnover rising to \$131.8 billion, 25.5% higher than the \$105.0 billion in 2023. The increase in Hong Kong market trading was significantly higher than those in other major markets in USD terms. The increase was broad-based, with strong increases in the trading of different securities types including large-cap, mid-cap, small-cap stocks and exchange-traded products (ETPs). In particular, following the Mainland Government's announcement of stimulus measures in September, the average daily turnover increased to \$255.0 billion in October—the highest monthly average on record.

- The higher market turnover was partly due to price effect following the market rebound and improvement in investor sentiment.
- Under Stock Connect, the average daily SB trading rose 54.9% year-on-year. As a percentage of Hong Kong's market turnover, the share of SB trading rose to 18.3% from 14.8% in 2023.

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



- Trading in most types of securities increased year-on-year:
 - Trading in Hang Seng Composite LargeCap Index (HSLI) stocks rose 27%, and contributed the most (54%) to the increase given its large market share.
 - Trading in Hang Seng Composite MidCap Index (HSMI) and Hang Seng Composite SmallCap Index (HSSI) stocks rose 41% and 43% respectively.
 - Trading in ETPs gained 35%.

Average daily turnover in Hong Kong stock market (\$ billion, one-sided) by securities type

Securities type	2024	2023	% change
HSLI stocks	71.8	56.5	+27.1%
HSMI stocks	19.4	13.8	+40.6%
HSSI stocks	6.3	4.4	+43.2%
ETPs	18.9	14.0	+35.0%
Others (eg, other stocks, derivative warrants (DWs)/callable bull/bear contracts (CBBCs), real estate investment trusts (REITs))	15.4	16.3	-5.5%
Market total	131.8	105.0	+25.5%

- Trading has increased 71% since September, with sharp gains across different types of securities.

**Average daily turnover in Hong Kong stock market
(\$ billion, one-sided) by securities type**

Securities type	Sep – Dec 2024	Jan – Aug 2024	% change
HSLI stocks	96.0	59.9	+60.3%
HSMI stocks	28.1	15.1	+86.1%
HSSI stocks	10.4	4.2	+147.6%
ETPs	28.6	14.1	+102.8%
Others (e.g. other stocks, DWs/CBBCs, REITs)	19.6	13.5	+45.2%
Market total	182.7	106.8	+71.1%

During the year, Hong Kong's stock market turnover increased more significantly than other major markets. In Mainland China, UK, Japan, Singapore, Germany and Australia, average daily market trading increased between 3% and 20% in USD terms.

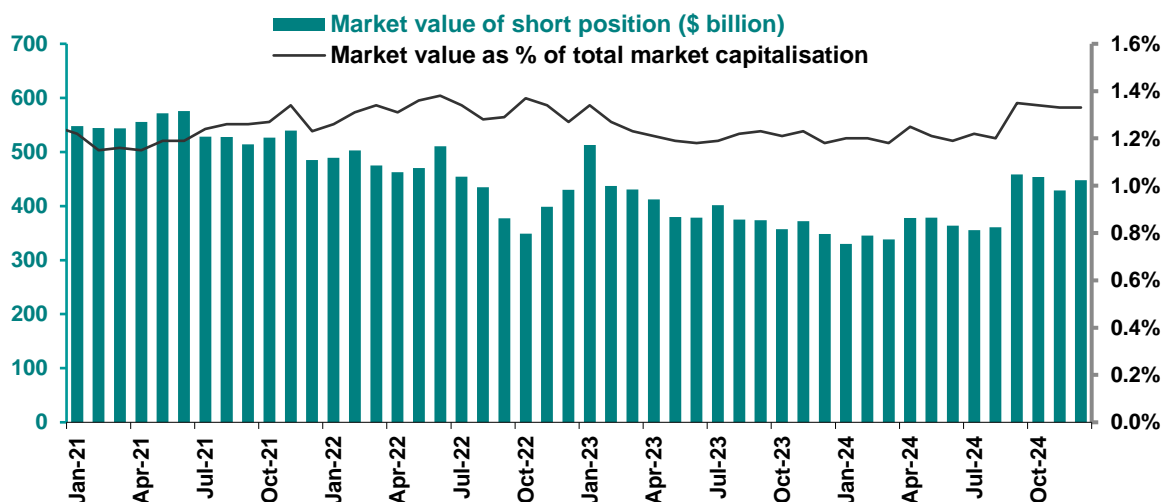
IPOs

- The primary market in Hong Kong was getting more active in 2024 with 70 IPOs in total. The total IPO funds raised amounted to \$88.0 billion, 89.9% higher than the \$46.3 billion (68 IPOs) in 2023. Of this, 27 IPOs were recorded since September and accounted for 78% of the total amount of funds raised, reflecting the improved sentiment.

Short-selling activities

- In 2024, short selling in Hong Kong increased in value terms but decreased as a percentage of total market turnover. Daily short selling averaged \$20.6 billion or 15.6% of total market turnover, compared to \$17.8 billion or 17.0% in 2023.
 - Of this, \$5.2 billion or 25.1% 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 amounted to \$15.4 billion or 13.6% of market turnover.
- For the market as a whole, the market value of reportable short positions rose, partly due to price effect. Based on the data submitted to the SFC, aggregated short positions rose to \$447.5 billion as of end-2024 (versus \$348.5 billion as of end-2023). Short positions accounted for 1.33% of market capitalisation, compared to 1.18% as of end-2023.

Short positions in the Hong Kong stock market



Market outlook and risks

21. Looking ahead, external macro factors will continue to have a major influence on the Hong Kong market. Global market performance will likely be affected by US government policies under the new administration, US trade relations with other countries, USD exchange rate, the US debt level as well as global inflationary pressure. At the same time, the pace, timing and magnitude of monetary easing by major central banks will affect market sentiment. Valuation concerns may linger for major US and European markets which have hit successive record highs. In Mainland China, the magnitude of policy stimuli and strength of economic growth may affect the market outlook. In addition, investors are keeping an eye on the development of international relations and possible implications.

Stock Connect

22. Stock Connect continued to account for an increasing share of turnover. During 2024:

- daily NB trading (including buy and sell trades) averaged RMB150.1 billion, or 7.1% of turnover in the Mainland market (compared to RMB108.3 billion, or 6.2% of market turnover in 2023); and
- daily SB trading (including buy and sell trades) averaged \$48.2 billion, or 18.3% of turnover in the Hong Kong market (compared to \$31.1 billion, or 14.8% of market turnover in 2023).

23. Under ETF Connect:

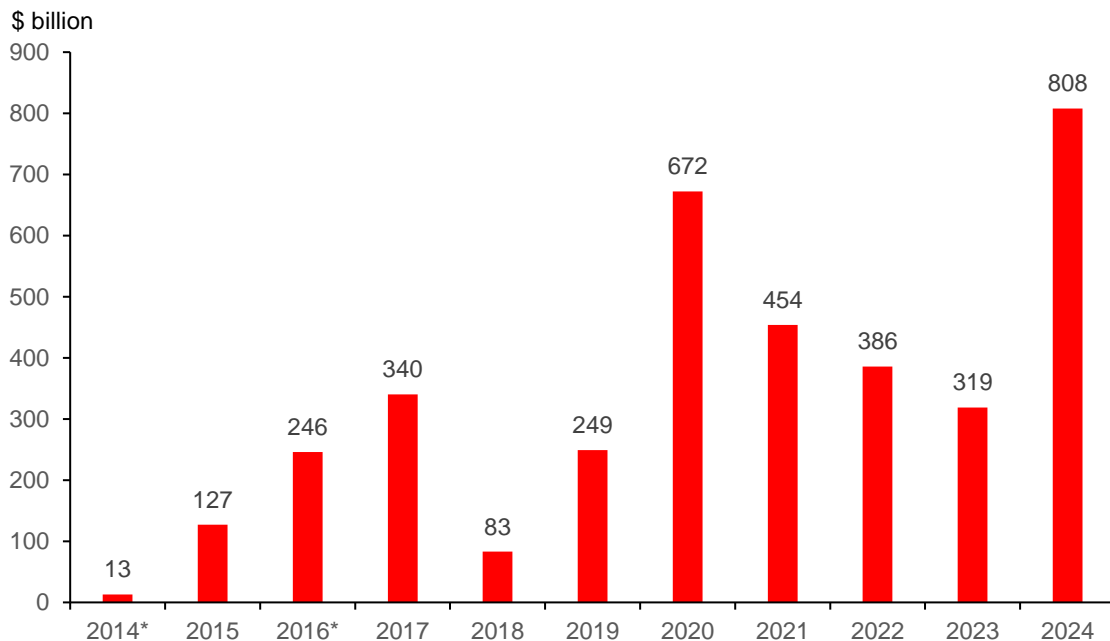
- In 2024, daily NB trading averaged RMB1,991.2 million while daily SB trading averaged \$2,404.2 million (compared to RMB499.8 million and \$2,692.9 million in 2023).
- SB trading recorded a net buy of \$6.7 billion in 2024 (compared to \$7.9 billion in 2023).

Box 3: Continued Stock Connect inflows support Hong Kong market

Year 2024 marked the tenth anniversary of the launch of Stock Connect. SB trading recorded net inflows in each of the past 10 years.

- SB net buy reached an annual record high of \$807.9 billion in 2024, which more than doubled from 2023.
- As at end-2024, the cumulative net buy under SB trading reached nearly \$3.7 trillion.
- SB net buy in 2024 made up 21.8% of the cumulative SB net buy from the launch of Stock Connect up to the end of 2024.

Annual 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.

Remark: Figures include ETF Connect which was launched on 4 July 2022.

- By stock type, SB investors favoured large-cap stocks. The top 20 stocks accounted for nearly 55% of total SB net buy. Of these 20 stocks, 19 were HSLI constituents and 16 were HSI constituents. Most were Mainland stocks with which SB investors were familiar.
- By sector, there were strong inflows to HSI heavyweights and industry leaders, which were largely financials, new economy and energy stocks.

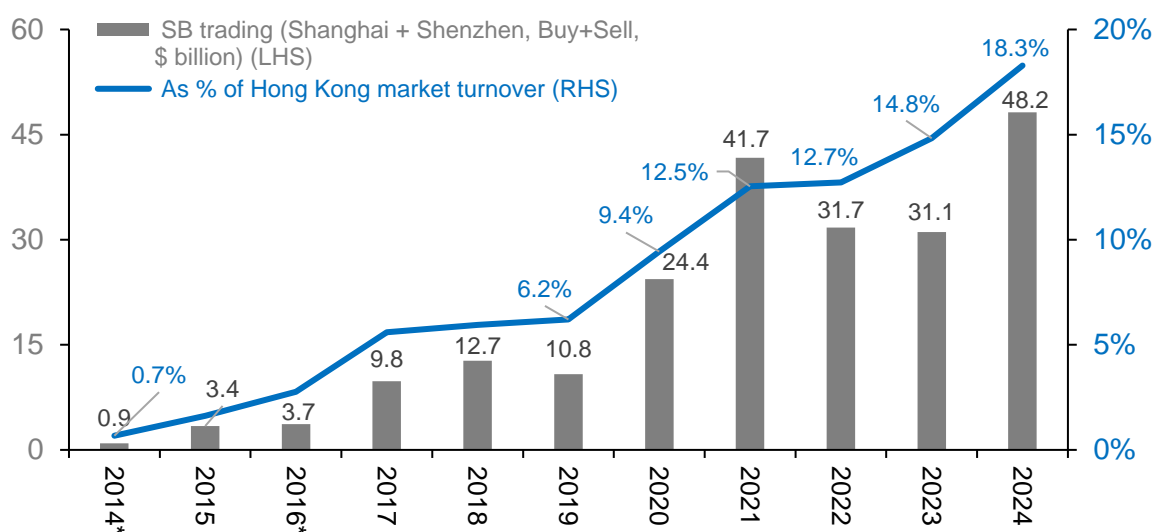
Strong SB inflows could be attributable to:

- **Attractive valuations** – The price-to-earnings ratios of the HSI and the HSCEI were about 10 times and 9 times, which were low compared to other major stock markets (SHCOMP: 16 times, SZCOMP: 38 times, Nikkei: 20 times and the S&P500: 26 times). Reflecting the lower valuations for H-shares, SB net buy was strong given the high price premium of A-shares over H-shares.
- **Uniqueness of new economy stocks** – There were SB inflows to leading new economy stocks which had a strong Mainland presence but were not listed there. Altogether, the top new economy stocks recorded a SB net buy of \$251.1 billion (more than 30% of the SB total in 2024).

- **Portfolio diversification** – Stock Connect has provided a channel for Mainland investors to broaden the scope of their investments and reduce risk through portfolio diversification.

In addition, SB trading accounted for an increasing share of the Hong Kong market turnover. The share increased to 18.3% in 2024, a record high since the launch of Stock Connect, up from 0.7% in 2014, ie, the first year of Stock Connect.

SB trading amount and share of Hong Kong stock market turnover



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

Remark: Figures include ETF Connect which was launched on 4 July 2022.

Exchange-traded derivatives

24. In 2024, the average daily turnover of exchange-traded derivatives increased 15.3% year-on-year.

- Turnover of futures products rose 14.9% in 2024.
 - HSI futures and HSCEI futures were the most actively traded contracts, accounting for 20.2% and 27.1% of total futures turnover. Turnover of HSI futures and HSCEI futures rose 1.7% and 0.9% respectively.
 - Turnover of Hang Seng TECH Index futures increased 8.8% from 2023, partly due to increasing hedging needs amid higher volatility in technology stocks.
- Turnover of options products went up 16.5%. Trading in stock options remained the most active, accounting for 83.4% of total turnover of options products. From 2023 levels, turnover of stock options rose 19.1% and that of Hang Seng TECH Index Options increased 33.3%.

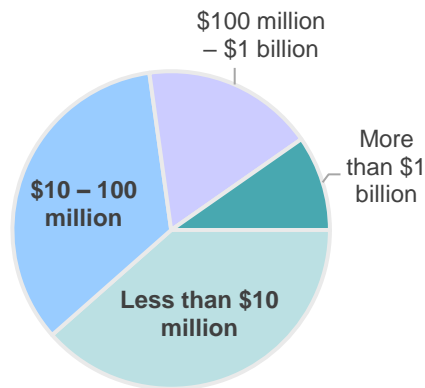
25. As of end-2024, the open interests of exchange-traded derivatives rose 7.9% compared to end-2023. The declines in open interests of futures products were offset by the increases in open interests of options products.

OTC equity derivatives

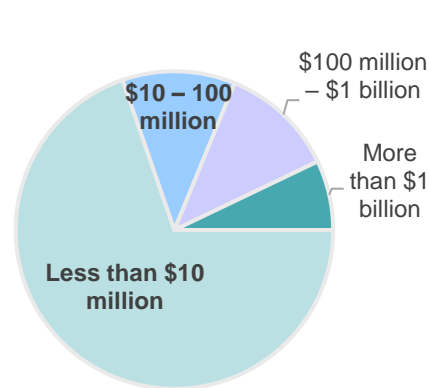
26. As of end-2024, the total notional value of OTC equity derivatives referencing Hong Kong stocks and indices amounted to about \$1.3 trillion or 4% of the stock market capitalisation, similar to the level as of end-2023. No significant risk which may affect market stability has been identified.

- The composition of OTC equity derivatives products remained relatively stable. Delta one products² were the most common (about 60% of the total notional value), followed by plain vanilla options (about 20-25%) and other complex products (about 15-20%).
- Investors were diversified in the OTC market. At the investor type level, the OTC positions spread across over 1,700 counterparties. Active players included investment banks, asset managers (such as mutual funds, pension funds and hedge funds), securities firms and other financial institutions. About 70% of the counterparties had positions of less than \$100 million.
- There was no concentration on OTC positions at the underlying securities level. The OTC positions spread across more than 2,500 securities. More than 80% of Hong Kong-listed securities had outstanding positions of less than \$100 million.

Distribution of OTC positions at investor level



Distribution of OTC positions at underlying securities level



² Delta measures the sensitivity of a derivative's value to changes in the price of the underlying securities. A delta one product is a product that has a delta of one, giving an investor the similar exposure as if the investor were to own the underlying securities.