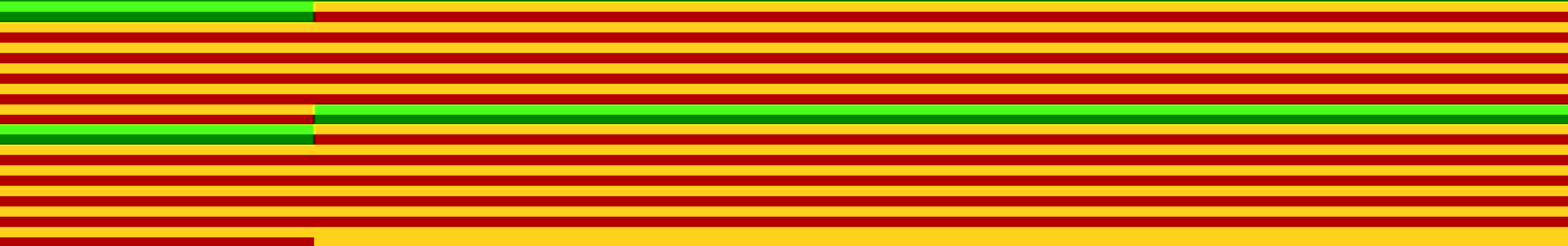


SECURITIES AND FUTURES COMMISSION





Executive summary

1. After the gains in 2012, most major markets continued to rise in early 2013, with some reaching their record or multi-year highs. However, the markets became more volatile on concerns over a tapering of the monetary stimulus in the US in June. (3rd)TJ96Fed83.e. ms
2. In the US, the Dow, Nasdaq and S&P 500 rose 13.8%, 12.7% and 12.6% respectively during the first half of 2013 on optimism Tw ()Tj(n)de((aboun op)11(t-7(n t)n opened)TJ -0.005 Tc 0.0



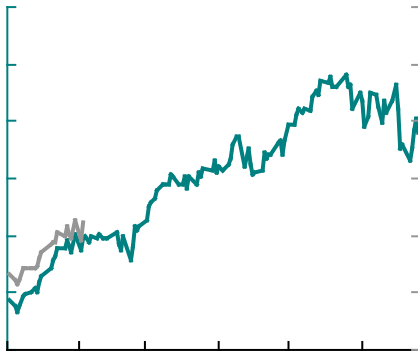
Performance of major stock markets

The US

10. During the first half of 2013, the Dow, Nasdaq and S&P 500 gained 13.8%, 12.7% and 12.6% respectively. The Dow and S&P 500 rose for six and seven straight months respectively to their record highs whilst the Nasdaq also rose to its highest level since October 2000.
11. In early 2013, the US market rose given abundant global liquidity. The debt limit was extended and the



12. Key economic figures such as home sales, investor confidence and jobs data were stronger than expected. Gross domestic product growth in Q1 2013 was 2.5%, up from 0.4% in Q4 2012. Investors remained optimistic about the US economic outlook. Solid corporate earnings also provided support.
13. In June, the market corrected as the Fed signalled that the scaling down of its bond-buying programme could begin later in the year and end in mid-2014 if the economic situation continues to improve. The Fed might stop buying bonds if the unemployment rate fell to 7%. Market concerns over an interest rate hike were heightened. The 10-year US Treasury yield rose to above 2.6%, a nearly two-year high.

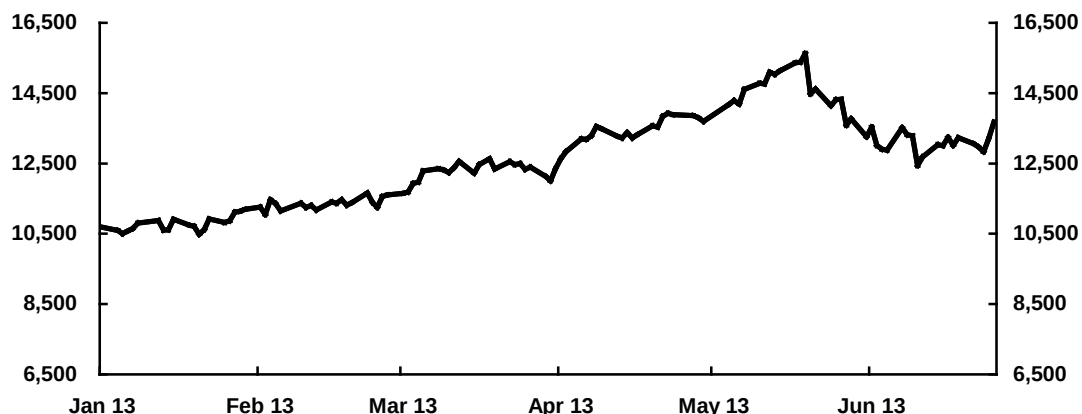




20. In May, the markets rebounded. The ECB cut its interest rate by 25 basis points to a record low of 0.5% and affirmed its monetary easing policy until at least mid-2014. Later, the markets dropped as the Fed indicated its plan to scale down its stimulus measures, and tight money market conditions in the Mainland sparked concerns of a credit crunch which could further slow down economic growth.

Asia

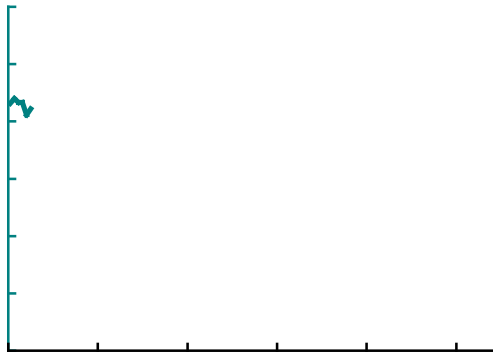
21. The performance of major Asian markets (other than Japan) ranged from a loss of 6.7% in Korea to a gain of 16.3% in Vietnam during the first half of 2013. Initially, investor sentiment was boosted as central banks in Asia adopted accommodative monetary policies—Central banks in Australia, Thailand, Korea, Vietnam and India all cut their interest rates, some to their record lows. However, worries over North Korea's nuclear confrontation with the US and South Korea affected investor sentiment. The markets corrected in June. Amid speculation on the Fed's stimulus withdrawal, the yield on US Treasuries rose, pulling back funds from the Asian equity markets. This was exacerbated when the Fed signalled the possible start to the tapering of its asset purchase programme later in the year. Yields on US Treasuries spiked, and major equity and bond markets fell. In the Mainland, a spike in interbank lending rates raised the spectre of a credit crunch, adding to the rout. Markets calmed following reassurances from the Fed and the People's Bank of China (PBOC).
22. The Nikkei 225 Index rose 31.6% during the period, outperforming most major markets, buoyed by fresh resolve on further monetary easing in Japan. The new cabinet indicated its commitment to boost economic growth by providing further stimulus. In early April, the Bank of Japan announced its plan to inject US\$1.4 trillion to buy government bonds and exchange-traded funds (ETFs). Exporters paced gains as the yen weakened to the 103 level. The Nikkei once rose to its five-year high. However, in May, the market became volatile given worries about the US Fed's withdrawal of stimulus and a strengthening of the yen. There were also concerns over the Bank of Japan's credibility and ability in monetary easing. Japanese 10-year government bond yield rose to above 0.9% for the first time in a year.



Performance of Nikkei 225 Index during January – June 2013

Source: Bloomberg







Exchange-traded funds (ETFs)

35. The number of ETFs rose to 110 as of end-June 2013 from 100 as of end-



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

		1H 2013	2H 2012	1H 2012
Futures	HSI Futures	86,890	79,406	86,446
	Mini-HSI Futures	33,975	31,727	37,931
	HSCEI Futures	82,427	65,509	64,209
	Mini-HSCEI Futures	8,237	5,773	6,947
	Stock Futures	2,406	1,487	1,140
	3-Month HIBOR Futures	-	--	1
	Renminbi Currency Futures ^	599	290	--
	Gold Futures	-	--	0
	Other futures products*	802	783	907
	Total Futures	215,336	184,849	197,581
Options	HSI Options	40,904	35,687	39,554
	Mini-HSI Options	5,272	5,343	4,677
	HSCEI Options	29,385	27,552	23,734
	Stock Options	267,047	225,102	231,856
	Other options products**	275	142	63
	Total Options	342,882	293,826	299,884
Total Futures and Options		558,218	478,750	497,465

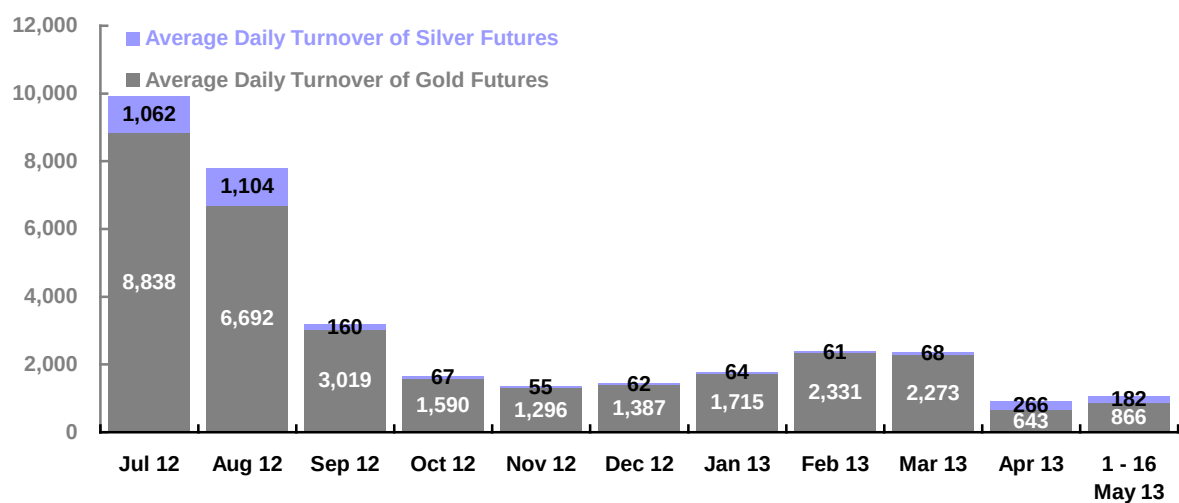
Remarks:

The average daily trading volume was based on the number of trading days after the product was launched.

^ Renminbi Currency Futures commenced trading on 17 September 2012.

* 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), FTSE/JSE Top40 Futures (launched on 30 Mar 2012) and USD/CNH Futures (launched on 17 Sep 2012)

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Turnover of Gold and Silver Futures on HKMEX (Number of Contracts)
 Source: SFC research