Executive Summary

1. During the first half of 2020, the Dow and S&P fell 9.6% and 4.0% respectively whilst the Nasdaq rose 12.1%. Volatility heightened. Major US indices hit record highs in February 2020 before correcting sharply in March 2020. The Level 1 market-wide circuit breaker was triggered four times. Recession fears heightened amidst the spread of COVID-19. Escalated tensions with the Mainland further weighed on market sentiment. Nevertheless, the market rebounded from the trough in March 2020 on optimism about

Performance of stock markets

launch of the Wealth Management Connect pilot scheme in the Guangdong-Hong Kong-Macao Greater Bay Area.

SHCOMP and market turnover (RMB billion) during the first half of 2020

SZCOMP and market turnover (RMB billion) during the first half of 2020

Hong Kong

26. The Hong Kong market fell in the first half of 2020, with the HSI and the HSCEI dropping 13.3% and 12.6% respectively.

27. Local political uncertainties heightened during the period. The Mainland announced the enactment of the National Security Law in Hong Kong.

28. There were also concerns

Recent increase in trading in the Hong Kong market

Trading in the Hong Kong market became more active in the first half of 2020. The average daily turnover amounted to $120.7 billion in Q1 2020 and $113.8 billion in Q2 2020. These figures were

57% and 48% higher than the average of $77.0 billion during Q4 2019; and

20% higher than the averages during corresponding quarters in 2019.

The average daily turnover of the Hong Kong market

Possible reasons

Volatility

The increase in trading was associated with higher volatility. The

The average daily SB trading (including buy and sell trades)

AH premium and SB net buy

Technology stocks

The average daily trading of major technology stocks was about $23 billion in both Q1 and Q2 2020.

Despite the increase in short selling, aggregated short positions increased modestly to 1.23% as at 26 June 2020 (1.20% as at end-2019). This remained small compared with overseas markets (~1.4% in Australia and ~2.0% in the US (NYSE)). The increases in short positionstwere spread over a

Intraday volatility of Dow, HSI futures and HSCEI futures trading during AHT

The average daily trading of the stock market, HSI futures and HSCEI futures