



Research Paper No. 71: Half-yearly Review of the Global and Local Securities Markets (Featuring Short Selling and Derivatives Ecosystem for the Technology Sector)

29 July 2022



Executive Summary

1. During the first half of 2022, global stock markets were volatile amid uncertainties about interest rate hikes and balance sheet reductions by major central banks to combat inflation. Geopolitical tensions in Ukraine and sanctions on Russia also undermined market performance. In addition, a stronger US dollar weighed on Asian currencies and capital flows to stock markets in the region.
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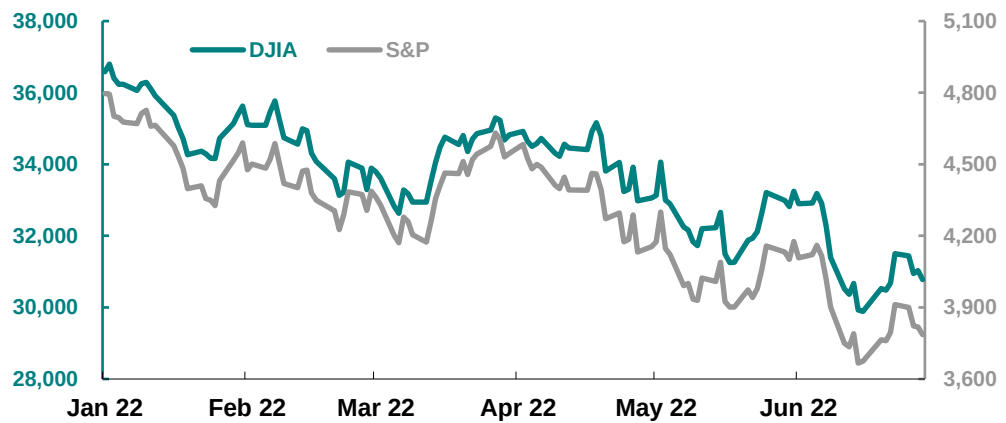
Performance of stock markets

Overseas markets

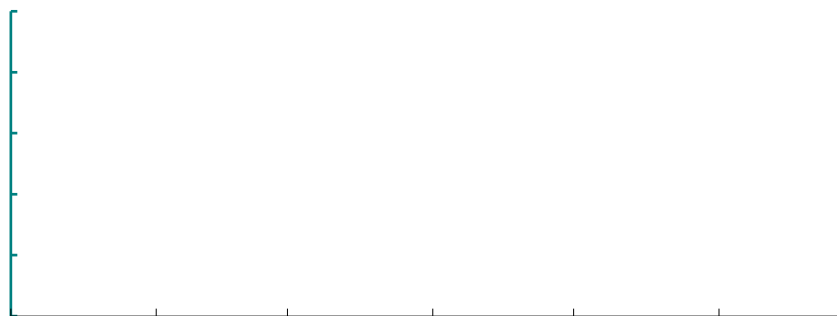
4. Major US indices retreated in the first half of 2022, with the Dow, Nasdaq and S&P falling 15.3%, 29.5% and 20.6% respectively—their largest half-yearly declines since 2008. In Europe, the FTSE, DAX and CAC fell 2.9%, 19.5% and 17.2% respectively.
5. Global stock markets were volatile as inflationary pressures grew, heightening worries about accelerating interest rate hikes by central banks. Rate-sensitive technology stocks



Performance of the Dow and S&P during the first half of 2022



Performance of FTSE and DAX during the first half of 2022



Performance of major stock markets



The Mainland

8. During the first half of 2022, the SHCOMP and the SZCOMP fell 6.6% and 12.1% respectively. Both indices hit their lowest levels since May 2020. The average daily trading in the Mainland market was RMB975 billion, 7.8% lower than the average of RMB1,058 billion in 2021.
9. The spread of new COVID-19 variants raised concerns about supply-chain disruptions and their impact on the pace of the Mainland



SZCOMP performance and market turnover (RMB billion) during the first half of 2022

Hong Kong

Market performance

11. The Hong Kong market fell during the first half of 2022. The HSI, HSCEI and the Hang Seng TECH index dropped 6.6%, 6.9% and 14.1% respectively. The market was volatile, particularly in March, when the HSI and the HSCEI hit their six- and 13-year lows, respectively, and the Hang Seng TECH Index dropped to a record low at one point.
12. The market decline was largely due to corrections in rate-sensitive technology stocks in light of the losses of their US peers. There were growing worries about



Market outlook and risks

16. Looking ahead, monetary policies may continue to affect global market performance as major central banks attempt to strike a balance between taming inflationary pressures and supporting the fragile economic recovery. Geopolitical tensions in Ukraine and sanctions on Russia will also weigh on investor sentiment. In addition, the pandemic situation and the development of Sino-US relations may affect the market outlook.

HSI performance and market turnover (\$ billion) during the first half of 2022

Short selling activity and aggregated short positions in Hong Kong

At times of high volatility, there is usually

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Derivatives ecosystem for the technology sector

Launched in July 2020, the Hang Seng TECH Index covers the 30 largest technology companies listed in Hong Kong. It has become a representative benchmark index tracking the increasingly important Mainland technology sector.

