

Box 5.1**Cash Market Transaction Survey over the decade to 2019**

The total turnover of the Hong Kong stock market (including the Main Board and the Growth Enterprise Market) amounted to \$21.4 trillion in 2019, the tenth largest in the world and the fifth largest in Asia (after Shenzhen Stock Exchange, Shanghai Stock Exchange, Japan Exchange Group and Korea Exchange). To study the trading composition of the Exchange Participants (EPs) of the Stock Exchange of Hong Kong Limited, the Hong Kong Exchanges and Clearing Limited (HKEX) has been conducting the Cash Market Transaction Survey⁽¹⁾ on an annual basis. Based on the surveys from 2008/09 to 2019⁽²⁾, this article examines the trends of the trading value by investor type in the past decade, as summarised below:

(1) Turnover value during 2008/09 to 2019

After a notable decline amid the Global Financial Crisis, the turnover value of the Hong Kong stock market stayed at relatively low levels for a few years before rising higher and turning more volatile in recent years. Specifically, the total turnover was relatively low and broadly stable within the range of \$13.6-\$15.8 trillion between 2008/09 and 2013/14, except for a spike of \$19.0 trillion in 2010/11. The stock market recorded higher turnover with considerable volatilities in the ensuing years, averaging \$22.7 trillion per annum during 2014/15 to 2019 and ranging widely from \$16.4 trillion in 2016 to \$26.6 trillion in 2014/15. For the 10-year period as a whole, the market turnover grew at an average annual rate of 4%.

(2) Trading value by investor type

Investors can be categorised into three types – local investors (i.e. those residing/operating in Hong Kong, with Hong Kong as the source of funds), overseas investors (i.e. those residing/operating outside Hong Kong, with the source of funds overseas) and EP principal trading (i.e. trading of the participant firm's own account).

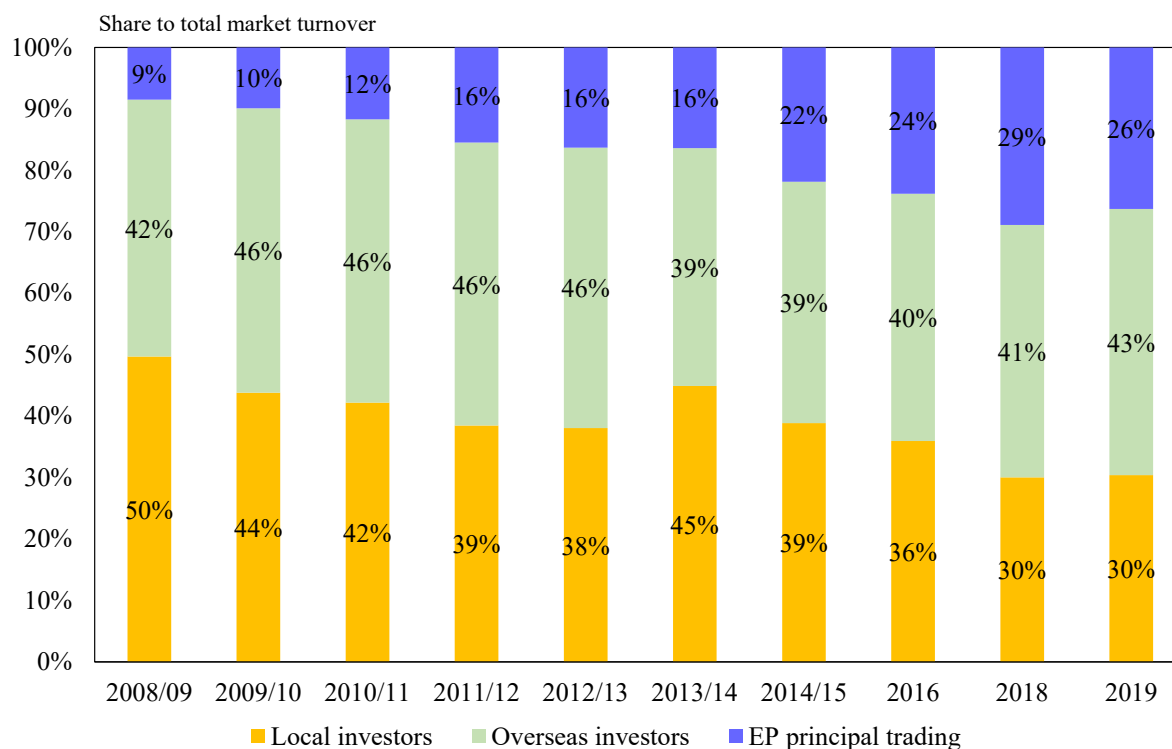
Over the decade under study, overseas investors were generally the largest contributor to the transaction value (*Chart 1*). The share of overseas investor trading to total market turnover rose from 42% in 2008/09 to 46% for the period between 2009/10 and 2012/13. After declining to 39% in 2013/14 and 2014/15, their share rose back gradually to 43% in 2019. Over the same period, the share of local investors trading was largely on a downtrend, declining from 50% in 2008/09 to 30% in 2019, except for a small rebound in 2013/14. As for the share of EP principal trading, it increased rapidly from 9% in 2008/09 to around 16% during 2011/12 to 2013/14 and further to 22-29% in the subsequent years to 2019.

The value of transactions by overseas investors was estimated to have grown at an average annual rate of 4% in the 10-year period up to 2019⁽³⁾, generally in line with the overall market. In contrast, that for EP principal trading showed a rampant average annual growth of 16% over the same period, whereas that by local investors edged down at an average annual rate of 1%.

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- (1) The survey also included Southbound trading through the specialised EPs designated for Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect.
 - (2) Surveys prior to 2016 covered a 12-month period from October in a year to September in the following year. Starting from 2016, the surveys covered the period from January to December in a year. No survey was conducted for 2017.
 - (3) The survey only provided the estimated percentage breakdown of trading value for different types of trade, but not the actual trading value. Hence the trading value for a particular type of trade is implied by multiplying the percentage contribution to market turnover by that type of trade by the actual overall market turnover.

Box 5.1 (Cont'd)

Chart 1 : Distribution of HKEX securities market turnover value by investor type



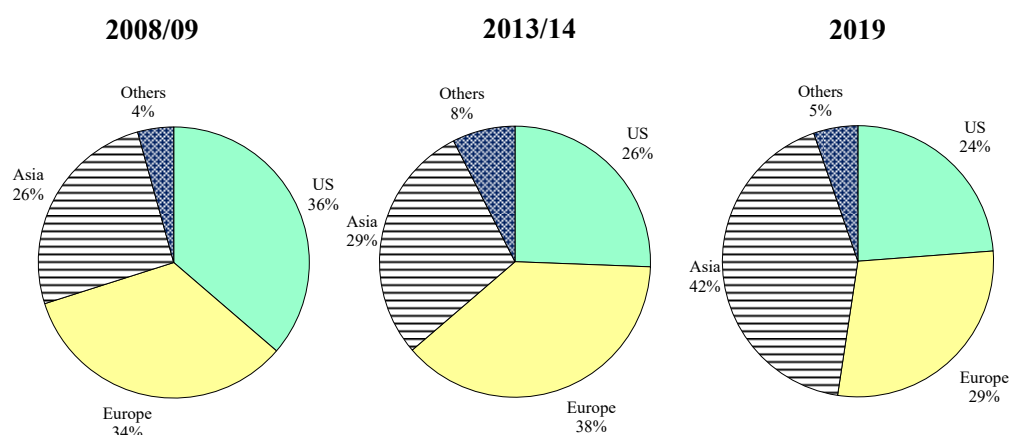
(3) Overseas investors' trading value by fund origin

Further analysing into the transactions by overseas investors, the performance of overseas investors of different fund origins varied rather visibly (*Chart 2*). Specifically, the US investors, which were the largest group of overseas investors before the Global Financial Crisis, saw their share shrinking from 36% in 2008/09 to 24% in 2009/10 and then hovering around this level in most of the subsequent years. The European investors, who took up a slightly smaller share than the US investors in 2008/09, saw their share surpassing the US investors' since 2009/10 but their share trended down gradually since then to 29% in 2019. Meanwhile, the Asian investors have become a much more prominent group, particularly in the few years to 2019. The share of Asian investors trading rose from 26% in 2008/09 to 29% in 2013/14 and more notably to 42% in 2019. The considerable growth in recent years was mainly contributed by the surge in trading by Mainland investors due to the launches of the Shanghai-Hong Kong Stock Connect in 2014 and Shenzhen-Hong Kong Stock Connect in 2016.

In terms of trading value, that of US investors in 2019 was virtually the same as that in 2008/09, notwithstanding some fluctuations during the 10-year period. Over the same period, that of European investors grew by an average annual rate of 3%, though still slower than the 4% growth of total overseas investor trading and resulting in a decline in its share to total overseas investor trading. Trading by Asian investors recorded the most spectacular growth, expanding at an average annual rate of 10% over the decade.

Box 5.1 (Cont'd)

Chart 2 : Distribution of overseas investor trading value by origin



(4) Breakdown by individual and institutional investors

Trading activities other than EP principal trading can also be categorised into those made by institutional investors (i.e. those who are not trading on personal accounts) and those made by individual investors (i.e. those who trade on their personal accounts). In overall terms, after excluding the EP principal trading, trading value by institutional investors was larger than that by individual investors, and the importance was also on the rise. Indeed, its share rose from 68% in 2008/09 to 72% in 2019 (*Table 1*). A closer look also reveals that, in terms of trading value, institutional investors played a dominant role among overseas investors, though their share in total trading by overseas investors declined gradually from 90% in 2008/09 to 85% in 2019 as individual investors have gained importance in recent years. In contrast, for local investors the relative importance of institutional investors and individual investors has been rather even, though the share of trading of institutional investors rose slightly from 49% in 2008/09 to 55% in 2019.

Table 1 : Distribution of HKEX securities market turnover (excluding the EP principal trading) by individual and institutional investors

	<u>2008/09</u>	<u>2013/14</u>	<u>2019</u>
Share in total trading by local investors :			
Individual investors	51%	46%	45%
Institutional investors	49%	54%	55%
Share in total trading by overseas investors :			
Individual investors	10%	13%	15%
Institutional investors	90%	87%	85%
Share in total trading by local and overseas investors :			
Individual investors	32%	30%	28%
Institutional investors	68%	70%	72%