

ETF Focus

Strong Momentum in Hong Kong's ETF Market Going into the New Year

Happy Year of the Rabbit!

Strong momentum has continued to build up in the Hong Kong Exchange-Traded Products (ETP, which include both ETFs and Leverage and Inverse Products) market going into the New Year, with average daily turnover (ADT) reaching HK\$16.0 billion in the first month of 2023, up 92% from one year earlier. In the following article, we will look at the major developments and milestones of the Hong Kong ETP market in 2022, beginning with an overview of the market's growing liquidity and the expanding diversity of HKEX's product suite.

Growing market liquidity

Despite challenging market conditions, **ADT of Hong Kong-listed ETPs increased over 50% year-on-year to an all-time high of HK\$12.0 billion in 2022.** ETP turnover peaked at HK\$38.1 billion on 16 March 2022 amid heightened market volatility, with Leveraged and Inverse Products (L&I Products) contributing HK\$6.9 billion to this turnover.

HK\$383.6 billion¹
Market capitalisation at end-2022

HK\$12.0 billion²
2022 ADT

ETPs benchmarked against the **Hang Seng TECH Index (HSTECH)** gained further ground in 2022 with 4 of the top 10 most traded ETPs tracking HSTECH, making it the third flagship index in the ETP market after Hang Seng Index and Hang Seng China Enterprises Index. ADT in HSTECH-tracking ETPs surged 279% in 2022 to \$2.76 billion. Momentum for **thematic ETFs** was also carried over from 2021 into 2022, with their combined ADT reaching HK\$1.7 billion during the year, up 131% from the previous year — the highest growth in ADT in 2022 among all ETF categories traded on HKEX.

Trading activity related to **L&I Products** surged against a background of market volatility, with ADT reaching HK\$2.2 billion, up 94% from the previous year. Investors also actively traded **China fixed income ETFs** as they search for yield and stability – the combined ADT of these ETFs recorded HK\$8.5million, up 87% year-on-year.

¹ Source: HKEX, as of 31 December 2022

² Source: HKEX, from 1 January 2022 to 31 December 2022

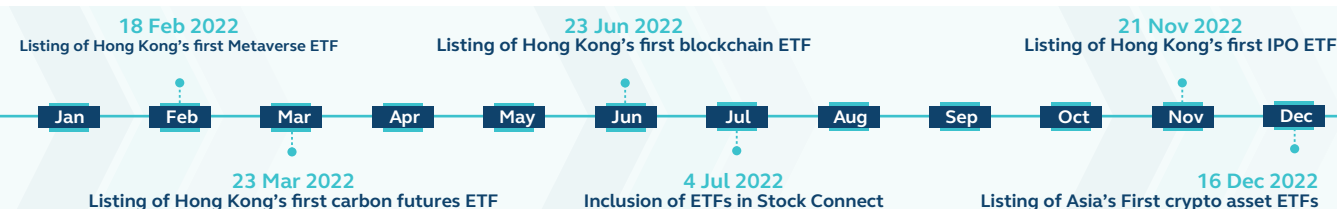
New listings

2022 was a year of many “firsts” in the ETP ecosystem, with the listings of the first metaverse ETF, carbon futures ETF, blockchain ETF and crypto asset ETFs. A total of 172 ETPs spanning different themes and focuses were listed on HKEX by the end of 2022³.

29 Number of ETP listings in 2022

172 Total number of ETPs at end-2022

Since virtual assets futures ETFs were authorised for public offering on 31 October 2022, HKEX has welcomed the listing of three crypto asset ETFs⁴, including Asia’s first Bitcoin futures ETF and the world’s first Ether futures ETF, opening up new opportunities in the crypto assets space for individual investors. The two crypto asset ETFs listed in mid-December 2022 became the most actively traded newly listed ETFs in 2022, with a combined ADT of HK\$13.4 million in the last two weeks of the year.



New milestone in HKEX's Connect Scheme

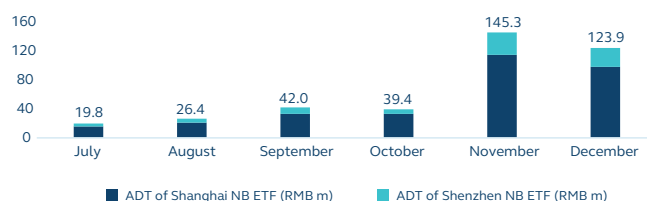
With the expanding diversity of HKEX's product suite and increasing awareness on ETFs among investors, Hong Kong's ETFs has become one of the fastest-growing segments in HKEX's markets. Building on this strong momentum, HKEX has further brought a number of new initiatives into fruition, **including the inclusion of ETFs in Stock Connect** on 4 July 2022.

The inclusion marked the latest milestone in HKEX's Mainland-Hong Kong mutual market access scheme, allowing ETF issuers from both sides to access liquidity across the border. In the six months since ETFs were included in Stock Connect, the ADT of eligible ETFs traded through Northbound and Southbound Stock Connect reached RMB66.7 million and HK\$908.1 million respectively⁵. There are currently 97 eligible Northbound ETFs and five eligible Southbound ETFs.

The inclusion of ETFs in Stock Connect reflects HKEX's commitment to continuously enhancing the vibrancy, diversity and attractiveness of its markets, further strengthening Hong Kong's position as a superconnector between China and the world.

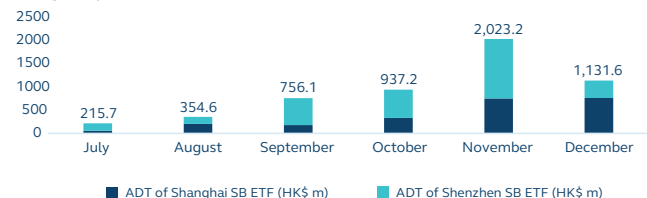
Northbound Trading Trend (Jul 2022 - Dec 2022)

Average daily turnover (RMB million)



Southbound Trading Trend (Jul 2022 - Dec 2022)

Average daily turnover (HK\$ million)



Source: HKEX. Data as of 31 December 2022.
Turnover is calculated as buy value + sell value.

³ Source: HKEX, as of 31 December 2022

⁴ Data as of 13 January 2023

⁵ Source: HKEX, from 4 July 2022 to 31 December 2022

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