

Trading hours poll results

27th October 2010

This article will be submitted to [Hong Kong Exchanges and Clearing Ltd \(HKEx, 0388\)](#) in response to its [consultation paper](#) on proposed changes to trading hours, together with our article [Hong Kong's broker siesta](#) of 14-Sep-2010 and the [full results](#) of the Webb-site opinion poll. Readers may note that we have introduced cross-tab analysis, so that the matrix of responses to any pair of questions can be analysed.

Like all our polls, the poll was open to anyone who submitted their e-mail address to receive a PIN number, to deter multiple voting. We received 592 responses. In summary:

- Over 83% agreed that some change was needed to trading hours, while 16% disagreed and 1% were undecided.
- 53% said that the lunchtime trading break should be abolished (an option not even contemplated by HKEx), while 44% wished to retain it.
- If the lunchtime break is kept, then 54% favoured 1 hour, 23% want 90 minutes, and 19% want 2 hours, with 5% undecided. There's a clear majority in favour of 1 hour, and we note in the [cross-tab](#) that 40 respondents who wanted to scrap the lunch break did not bother to answer this question. Most of them would be in favour of 1 hour too.
- Despite claims from brokers that they need two hours to entertain their clients, only 17% of respondents said a broker had taken them to lunch in the last year. Perhaps not surprisingly, in the [cross-tab](#), those who had received lunch were 83% against scrapping the lunch break, while those who had not received lunch were 60% in favour of abolishing the lunch break. So brokers take note: if you've got them by the stomach then their hearts and minds will follow.
- On the issue of opening time, only 19% wanted to keep the status quo of 10:00, while the most popular option (49%) was 09:30. However, 31% favoured either 09:00 or earlier.
- On closing time, 39% wanted to keep 16:00, but 37% wanted 16:30 and 19% chose "later than 16:30". That adds up to a clear majority of 56% favouring extending hours to 16:30 or later.

Based on the results of this opinion poll, Webb-site concludes that Hong Kong is not quite ready to abolish the lunch break, but that it should be shortened to one hour. Opening time should be brought forward to 09:30, and closing time should be extended to 16:30. That would result in a 6-hour trading day, 50% longer than the present 4 hours. We note that Singapore Exchange on 19-Oct-2010 [launched](#) a consultation on abolishing its own lunch break to achieve an 8-hour day from 09:00-17:00.

If you wish to make your own submission to HKEx, then write to response@hkex.com.hk by this Friday, 29-Oct-2010.

Poll results: Trading hours

Current time:	12:11:19 27-Oct-2010
Closing time:	18:00:00 30-Sep-2010
Time remaining:	Poll closed

1. Should the HK stock exchange trading hours be changed?

Answer	Responses	Share
Yes	490	82.8%
No	96	16.2%
Undecided	6	1.0%
Total	592	100.0%

Crosstab with question: 2 **2. Should the lunchtime trading break be abolished?**

Answer	Responses	Share
Yes	310	52.5%
No	260	44.1%
Undecided	20	3.4%
Total	590	100.0%

Crosstab with question: 1 **3. If the lunchtime trading break is kept then how long should it be?**

Answer	Responses	Share
1 hour	297	53.9%
90 minutes	125	22.7%
2 hours	102	18.5%
Undecided	27	4.9%
Total	551	100.0%

Crosstab with question: 1 **4. Has a broker taken you to lunch in the last year?**

Answer	Responses	Share
Yes	100	17.2%
No	482	82.8%
Total	582	100.0%

Crosstab with question: 1 **5. What time should the market open in the mornings?**

Answer	Responses	Share
Earlier than 09:00	38	6.4%
09:00	147	24.9%
09:30	290	49.1%
10:00 (current)	114	19.3%
Undecided	2	0.3%
Total	591	100.0%

Crosstab with question: 1 **6. What time should the market close in the afternoon?**

Answer	Responses	Share
15:00	13	2.2%
15:30	11	1.9%
16:00 (current)	230	39.0%
16:30	218	36.9%
Later than 16:30	114	19.3%
Undecided	4	0.7%
Total	590	100.0%

Crosstab with question: 1

Hong Kong's broker siesta

14th September 2010

There's been a lot of media discussion recently about a possible change to Hong Kong's 4-hour stock exchange trading day, which runs in two sessions from 10:00-12:30 and 14:30-16:00. There is also a [warm-up period](#) with a pre-opening auction from 09:30 to 10:00, and the Hong Kong Futures Exchange runs an extra 15 minutes until 16:15.

As we stroll around Hong Kong during the lunch hour, we find that banks, shops, estate agents and travel agents are all still open and the trains, buses, trams and ferries are still running, serving the public, and their staff manage to rotate their lunch hours to achieve this. In Hong Kong, we still fire off the noonday gun, but there is no modern truth to [Noel Coward's claim](#) that only "Mad dogs and Englishmen go out in the midday sun". There is no national siesta.

Yet somehow, many stockbrokers have until now seemed incapable of arranging their affairs to stay open during the lunch hours. Only in a monopoly environment can a business get away with such poor levels of customer service. If we had [competing exchanges](#) available to the public, then we would not even be having this debate, because at least one of them would stay open, and then all of them would. Can you imagine Park 'n Shop, one half of our supermarket near-duopoly, closing for lunch while Wellcome remained open? It would simply be uncommercial to do so.

Yet [Hong Kong Exchanges and Clearing Limited \(HKEx, 0388\)](#), in its soft consultation with the market (by which they mean brokers, not investors), is apparently not even considering staying open at lunchtimes. All the discussion seems to centre around whether the lunch break should be 90 minutes or 60 minutes long, rather than the current 120 minutes. Brokers claim that they need the lunch hour to entertain their clients. Really? When was the last time your broker took you out to lunch? Even if she did, isn't there someone else who can staff the office and service other clients? After all, even the smallest firms are required to have two responsible officers.

Complicating this debate is that a large proportion of HK's market value now comprises dual-listed mainland companies, with listings in Shanghai or Shenzhen. The mainland markets run two sessions from 09:30-11:30 and 13:00-15:00. Despite mainland capital controls, there is probably already some arbitrage between the two, and this will increase as capital controls loosen. So it makes sense for HK to be open at least whenever Shanghai is. Assuming Shanghai is not in the mood to co-operate by changing its hours, then HK has to re-open by 13:00. Couple this with our existing morning closing time of 12:30, and that would only leave 30 minutes - hardly worth stopping for. The alternative is to shift the morning session to start at 09:30 and stop at the noonday gun with a 1-hour break, then run from 13:00 to 16:00. Stopping earlier in the afternoon is not a viable option if HK is not to lose business from Europe, particularly in the winter when the UK and Europe are 8 hours and 7 hours behind respectively.

HKEx should cut through all this noise and just go for a single 09:30-16:00 session, a 6.5 hour day (plus the pre-market auction), covering all the times when the mainland is open and more. An increasing amount of retail broking takes place online anyway, and computers don't need to shut down for lunch. Indeed, if individual investors had market access during their lunch hours, then they might be more willing and interested to manage their own investments rather than outsourcing them to managers of mutual funds, because they could get instant execution of their orders rather than having to submit them during a market-wide halt and be exposed to news-flow until the market re-opens. They might also spend less time trading during office hours on their employer's time!

Furthermore, for traders who are highly leveraged with the overall aim of market-neutral positions, continuous trading would allow them to react sooner to news which emerges during the lunch hour. Otherwise they may need to square their position before the lunch break and re-open it afterwards, in case some market-moving event happens while HK brokers are stuffing themselves rather than their clients.

In moving to a continuous trading day, HKEx would also need to amend its rules to allow trading in an

Poll	Results	More polls	Get PIN
Poll closed: 18:00:00 30-Sep-2010			
PIN			
1. Should the HK stock exchange trading hours be changed?			
Select			
2. Should the lunchtime trading break be abolished?			
Select			
3. If the lunchtime trading break is kept then how long should it be?			
Select			
4. Has a broker taken you to lunch in the last year?			
Select			
5. What time should the market open in the mornings?			
Select			
6. What time should the market close in the afternoon?			
Select			

individual stock to be halted for the release of price-sensitive information, or a "news halt". One hour from the time of announcement would be a reasonable minimum - enough time to read and digest it. Currently, the lunch break serves this purpose, but news halts should be available throughout the day.

However, after a news halt, the order queue for that stock (and related derivatives) should be cleared before trading resumes, to avoid unfairly hitting uninformed orders remaining from before the trading halt. It is unfair to leave sell orders outstanding after a takeover is announced, for example, and it is similarly unfair to leave buy orders outstanding after a negative profit warning. People who placed those orders did not have that information. Currently, the order queues are cleared at the end of each day, but not the end of the morning session, and this gives rise to the problem of [lunchtime shocks](#) which were introduced in Feb-2008. The Exchange has done nothing about that, even though it would only take a fairly simple bit of programming in their system to address it.

What do you think - is the ability to trade during your lunch time attractive to you? Should there be a mandatory siesta? Take our opinion poll and we'll forward the results (no names) to HKEx.