

# Cash Market Transaction Survey 2019



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# Introduction

The Cash Market Transaction Survey (“CMTS”) has been conducted annually since 1991 to study the trading composition of the Exchange Participants (“EPs”) of the Stock Exchange of Hong Kong Limited (“SEHK”). The main objective is to understand the relative contribution of trading value in the HKEX securities market, including the Main Board and the Growth Enterprise Market (“GEM”), by investor type. The market share of online trading is also assessed.

The 2019 survey covered EPs’ transactions on both the Main Board and GEM from January to December 2019 (referred to as the 2019 study period)<sup>1</sup>. The survey included Southbound trading through the specialised EPs designated for Shanghai-Hong Kong Stock Connect (launched in 2014) and Shenzhen-Hong Kong Stock Connect launched on 5 December 2016 (collectively referred to as the “Stock Connect” scheme) in the data analysis as trading originated from investors in Mainland China. The designated EPs for the Stock Connect scheme are referred to as the “Southbound EPs”.

## HKEX cash market summary (2018 & 2019)

Annual statistics (main board and GEM)	2018	2019	% Change
Total turnover value (HK\$ million)	26,422,762	21,440,049	-19%
No. of trading days	246	246	-
Average daily turnover value (HK\$ million)	107,410	87,155	-19%
Total Shanghai-Hong Kong Stock Connect Southbound buy & sell turnover value (HK\$ million)	1,822,098	1,562,555	-14%
No. of trading days	223	230	-
Average daily turnover value (HK\$ million)	8,171	6,794	-17%
Total Shenzhen-Hong Kong Stock Connect Southbound buy & sell turnover value (HK\$ million)	1,011,556	918,867	-9%
No. of trading days	223	230	-
Average daily turnover value (HK\$ million)	4,536	3,995	-12%
% share of Stock Connect Southbound trading (one-sided) in total market turnover	5.4%	5.8%	

<sup>1</sup> The previous two surveys covered the period from January to December 2018 and January to December 2016 (referred to as the 2018 study period and 2016 study period respectively) while no survey was conducted for the year 2017. Surveys prior to 2016 covered an annual period from October in a year to September in the following year. For the survey covering the period from October 2014 to September 2015, the study period is referred to as the 2014/15 study period, similarly for other prior surveys.



# Key findings

## Trading value by investor type

- 1 With a 19% year-on-year drop in the total market turnover value in 2019, different types of trade recorded different degrees and directions of change in turnover value relative to 2018 (based on implied value of trading<sup>2</sup>).
- 2 In 2019, local (Hong Kong) investors' contribution to total market turnover remained at 30% (same as in 2018), compared to the recent peak of 45% in 2013/14.
- 3 In 2019, overseas investors' contribution to the total market turnover was 43%, up from 41% in 2018. Their contribution has increased gradually from its recent trough of 39% in 2013/14.
- 4 Overseas investor trading came mainly from institutions – 37% of the total market turnover (up from 35% in 2018), compared to 7% from overseas retail investors (6% in 2018).
- 5 Compared to overseas investor trading, local investor trading is relatively more evenly contributed by institutional investors and retail investors (17% and 14% of total market turnover respectively).
- 6 Institutional investors (local and overseas) contributed 53% to total market turnover in 2019 (55% in 2018). Contribution from retail investors (local and overseas) increased to 20% in 2019 from 16% in 2018.
- 7 The contribution of EP principal trading in 2019 was 26%, slightly lower than the record high of 29% in 2018. Over the past ten years<sup>3</sup>, EP principal trading value grew at a compound annual growth rate (“CAGR”) of 15%, which was the highest among all types of trade, much higher than the 3% CAGR of the total market turnover value.

<sup>2</sup> See Glossary for definition.

<sup>3</sup> The period refers to the 10-year period from the 2009/10 Survey to the 2019 Survey, albeit no survey was conducted for the year 2017. The same reference applies to the quotation of “past ten years” in the rest of the report.

# Key findings

## Overseas investor trading by origin

- 8 The total implied value of overseas investor trading dropped by 15% in 2019 relative to 2018. Over the past ten years<sup>4</sup>, the overall investor trading value from Asia<sup>5</sup> had a CAGR of 8% compared to the CAGR of 3% in the total overseas investor trading value. On the contrary, investor trading from Europe recorded a negative CAGR of -2%.
- 9 Overseas investor trading came from over 50 separate jurisdictions.
- 10 In 2019, Asian investors continued to be the largest contributor group from overseas, contributing 42% of overseas investor trading (42% in 2018) and 18% of total market turnover (17% in 2018).
- 11 In 2019, European investors were the second largest overseas contributor group, contributing 29% of total overseas investor trading, slightly up from 27% in 2018, and 12% of total market turnover in 2019 (11% in 2018).
- 12 In 2019, the US was the third largest overseas contributor group, contributing 24% of overseas investor trading and 10% of total market turnover in 2019 (compared to 23% and 10% respectively in 2018).

## Retail online trading

- 13 In 2019, retail online trading accounted for 57% of total retail investor trading (down slightly from 61% in 2018), and 11% of the total market turnover.

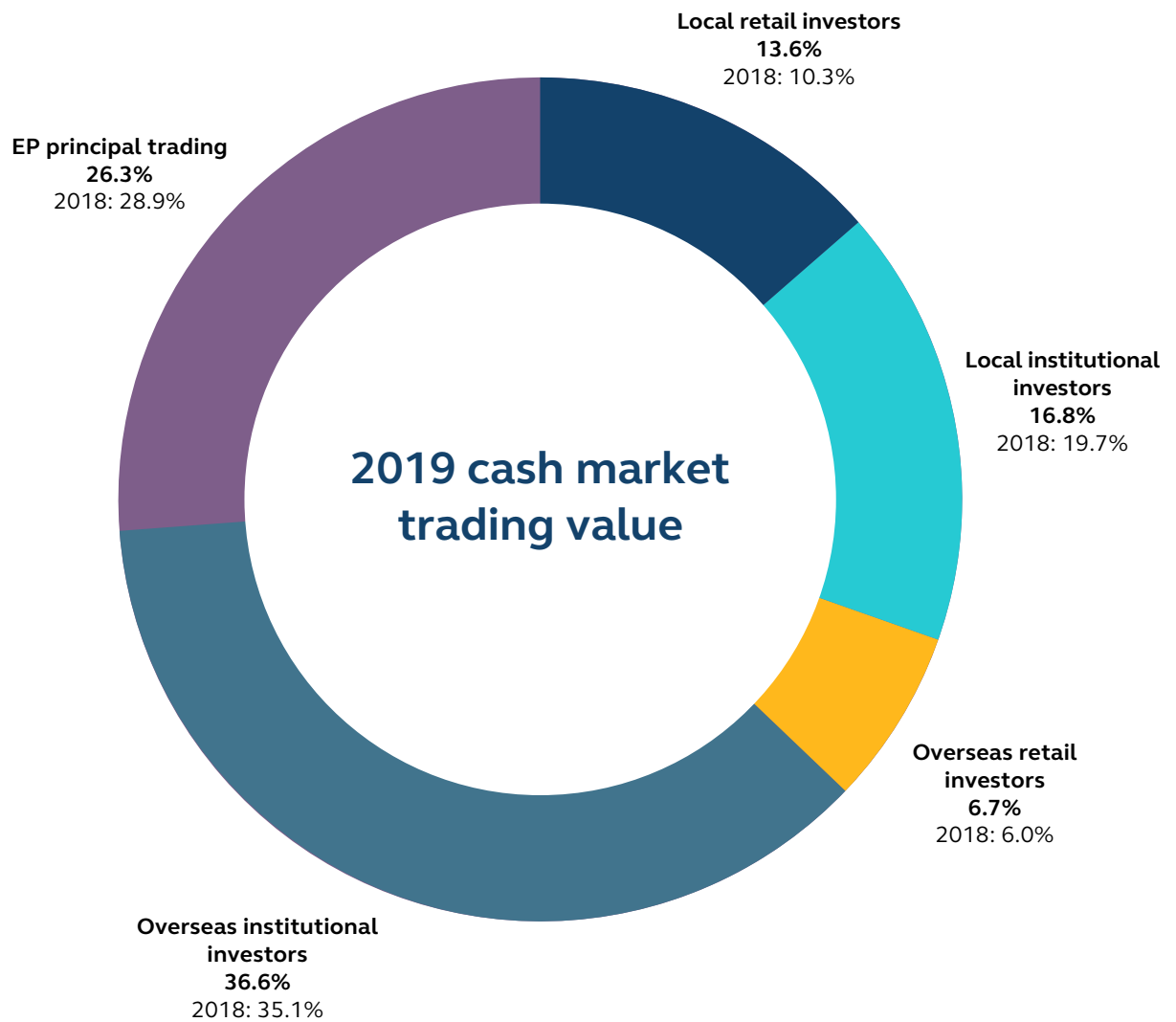
4 The period refers to the 10-year period from the 2009/10 Survey to the 2019 Survey, albeit no survey was conducted for the year 2017. The same reference applies to the quotation of “past ten years” in the rest of the report.

5 Asian origins include Japan, Mainland China, Taiwan, Singapore and “Rest of Asia” (see remarks of Figure 6 for the reported countries in “Rest of Asia”).

# Figures and Tables

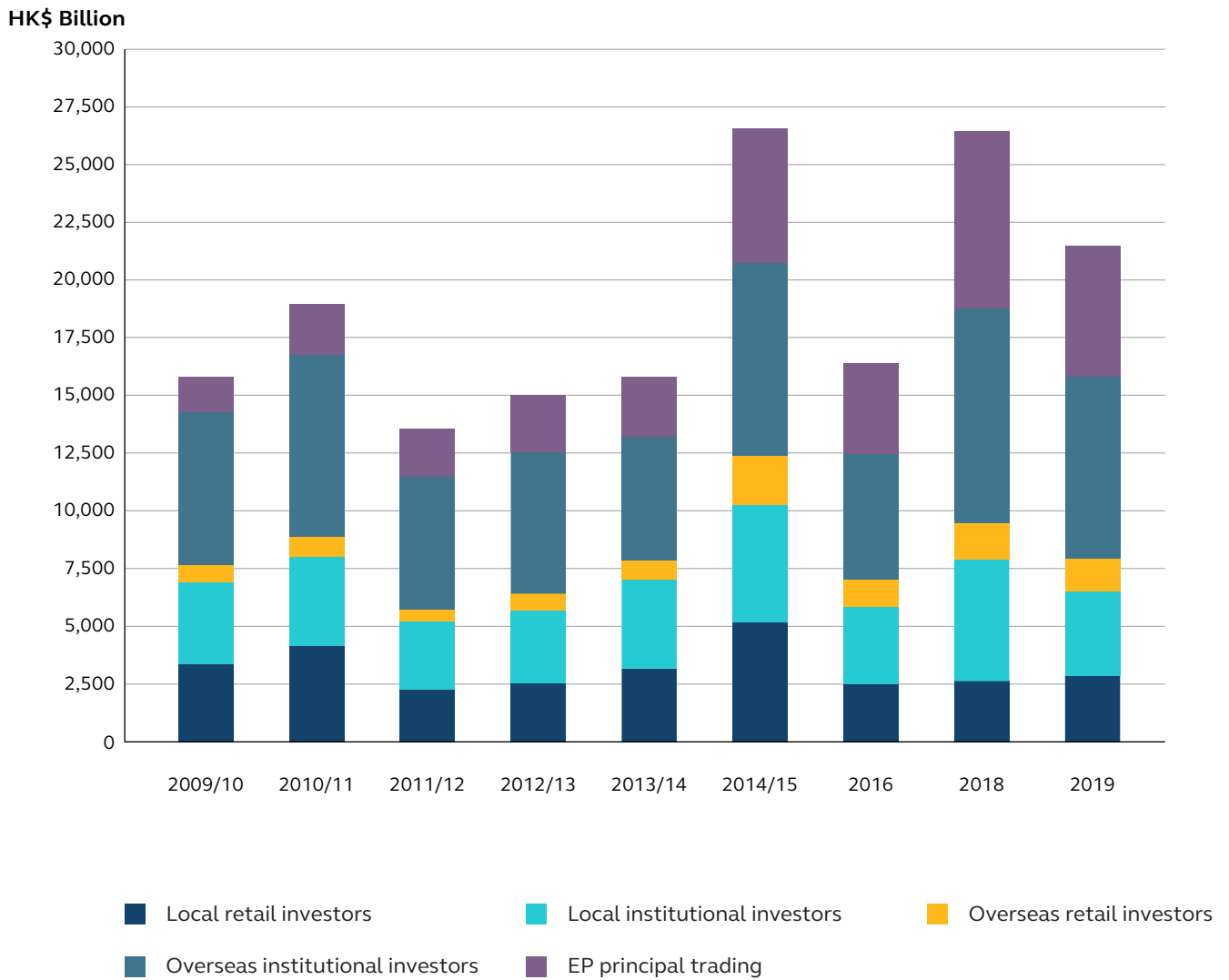
## 1 Distribution of market trading value by investor type

Figure 1. Distribution of cash market trading value by investor type (2019)



Note:  
Numbers may not add up to 100% due to rounding.

Figure 2. Implied value of cash market trading by investor type (2009/10 – 2019)

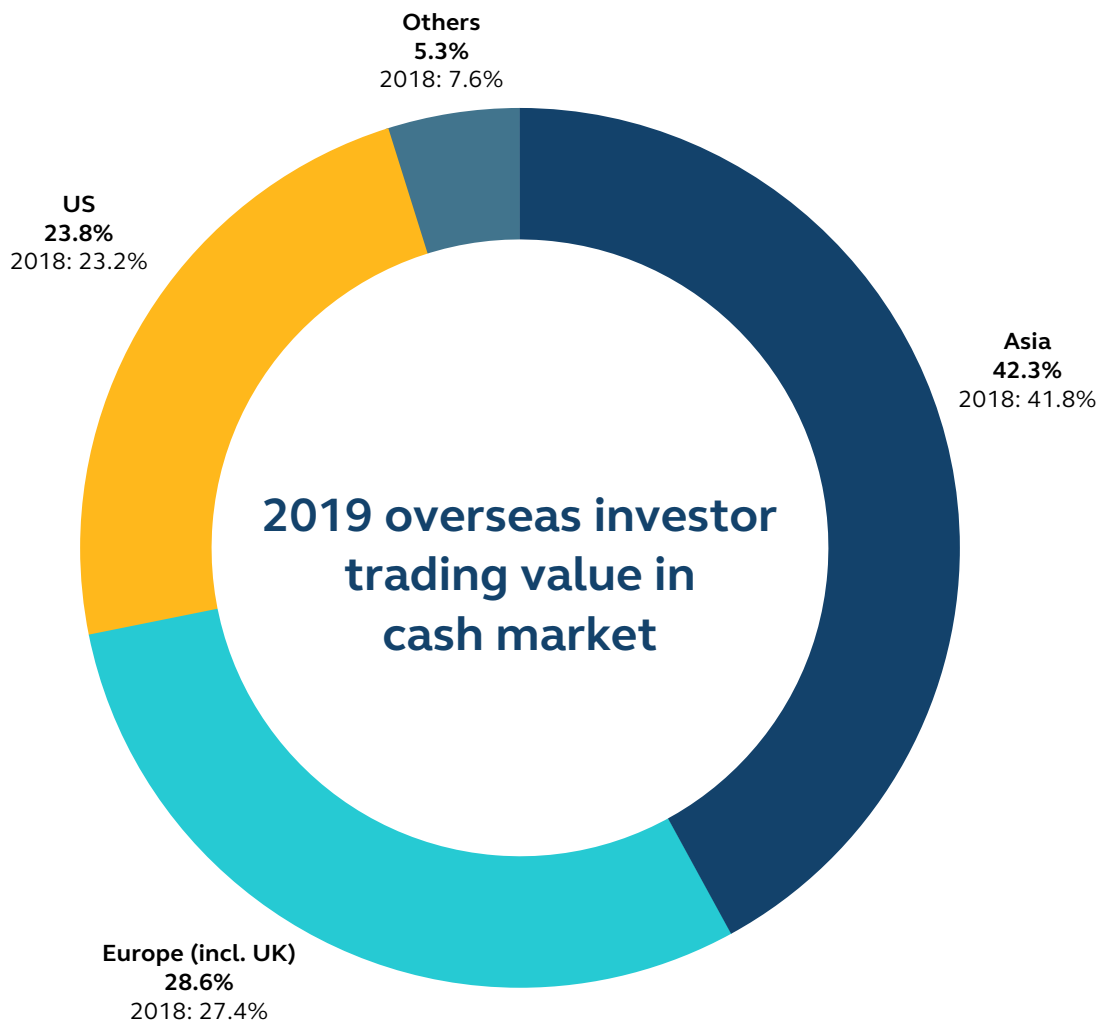


Note:  
No survey was conducted for the year 2017.



## 2 Distribution of overseas investor trading value by origin

Figure 3. Distribution of overseas investor trading value in cash market by origin (2019)

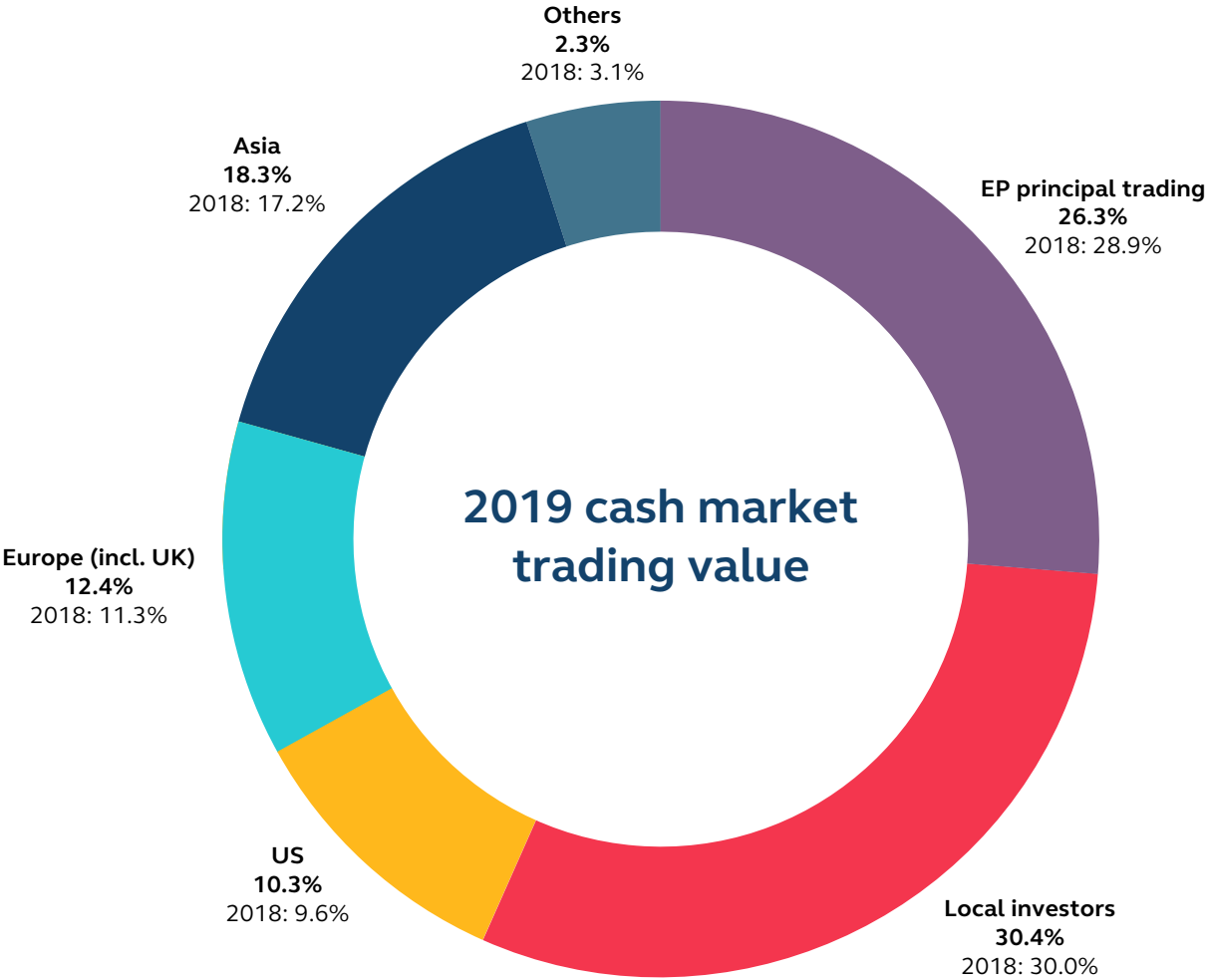


Note:

- "Asia" includes Brunei, Cambodia, India, Indonesia, Japan, Kazakhstan, Macau, Mainland China, Malaysia, Pakistan, Philippines, Singapore, South Korea, Taiwan, Thailand, Vietnam (a total of 16 origins).
- "Others" include Andorra, Anguilla, Antigua and Barbuda, Australia, Bahamas, Belize, Bermuda, Brazil, British Virgin Islands, Canada, Cayman Islands, Cook Islands, Cyprus, Guernsey, Isle Of Man, Israel, Jordan, Kuwait, Mauritius, Nauru, New Zealand, Oman, Panama, Qatar, Russia, Samoa, Saudi Arabia, Seychelles, South Africa, St. Kitts & Nevis, United Arab Emirates, Vanuatu (a total of 32 origins).
- Numbers may not add up to 100% due to rounding.



Figure 4. Distribution of cash market trading value by local and overseas origin (2019)

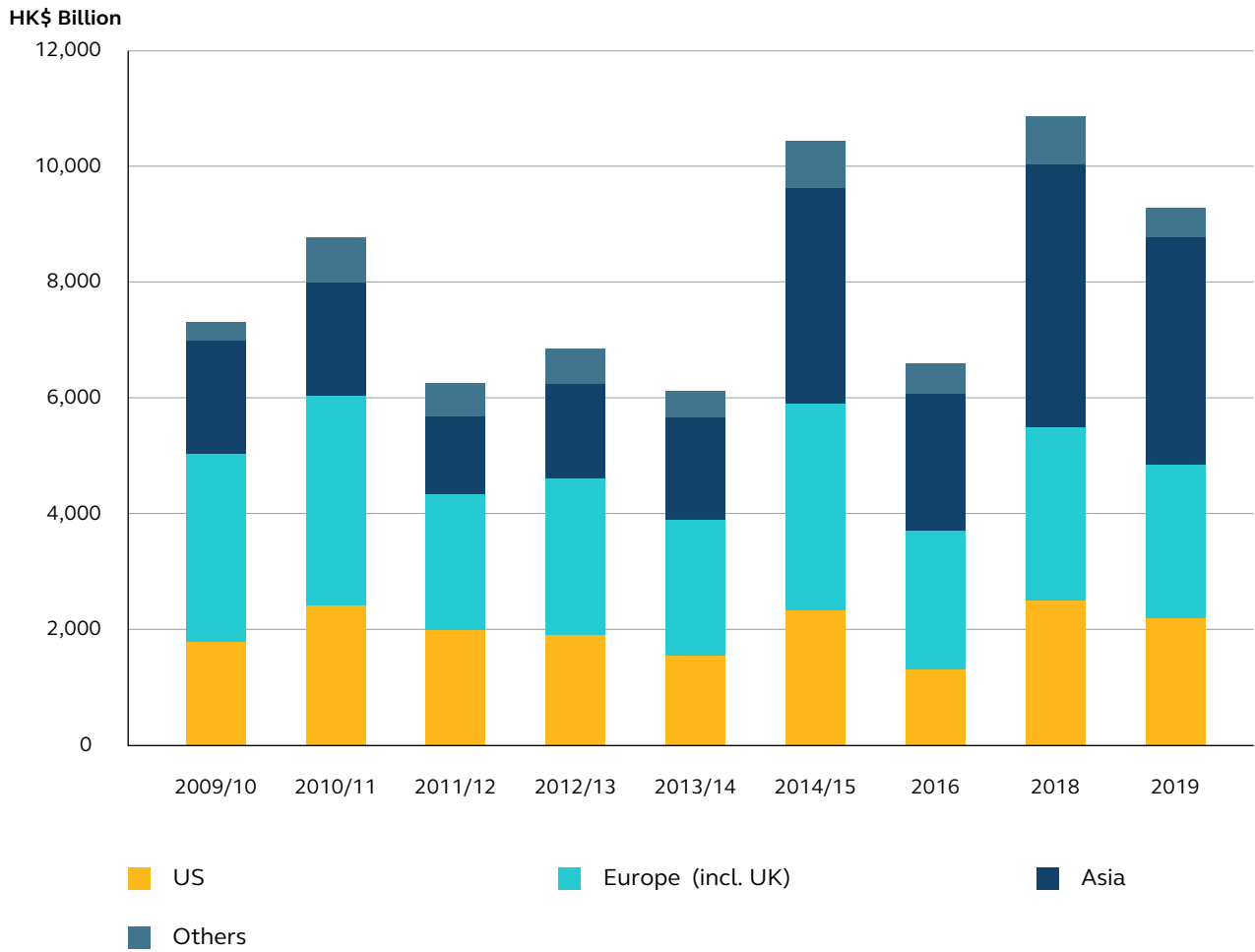


Note:

- "Asia" includes Brunei, Cambodia, India, Indonesia, Japan, Kazakhstan, Macau, Mainland China, Malaysia, Pakistan, Philippines, Singapore, South Korea, Taiwan, Thailand, Vietnam (a total of 16 origins).
- "Others" include Andorra, Anguilla, Antigua and Barbuda, Australia, Bahamas, Belize, Bermuda, Brazil, British Virgin Islands, Canada, Cayman Islands, Cook Islands, Cyprus, Guernsey, Isle Of Man, Israel, Jordan, Kuwait, Mauritius, Nauru, New Zealand, Oman, Panama, Qatar, Russia, Samoa, Saudi Arabia, Seychelles, South Africa, St. Kitts & Nevis, United Arab Emirates, Vanuatu (a total of 32 origins).
- Numbers may not add up to 100% due to rounding.



Figure 5. Implied value of overseas investor trading in cash market by origin (2009/10 – 2019)



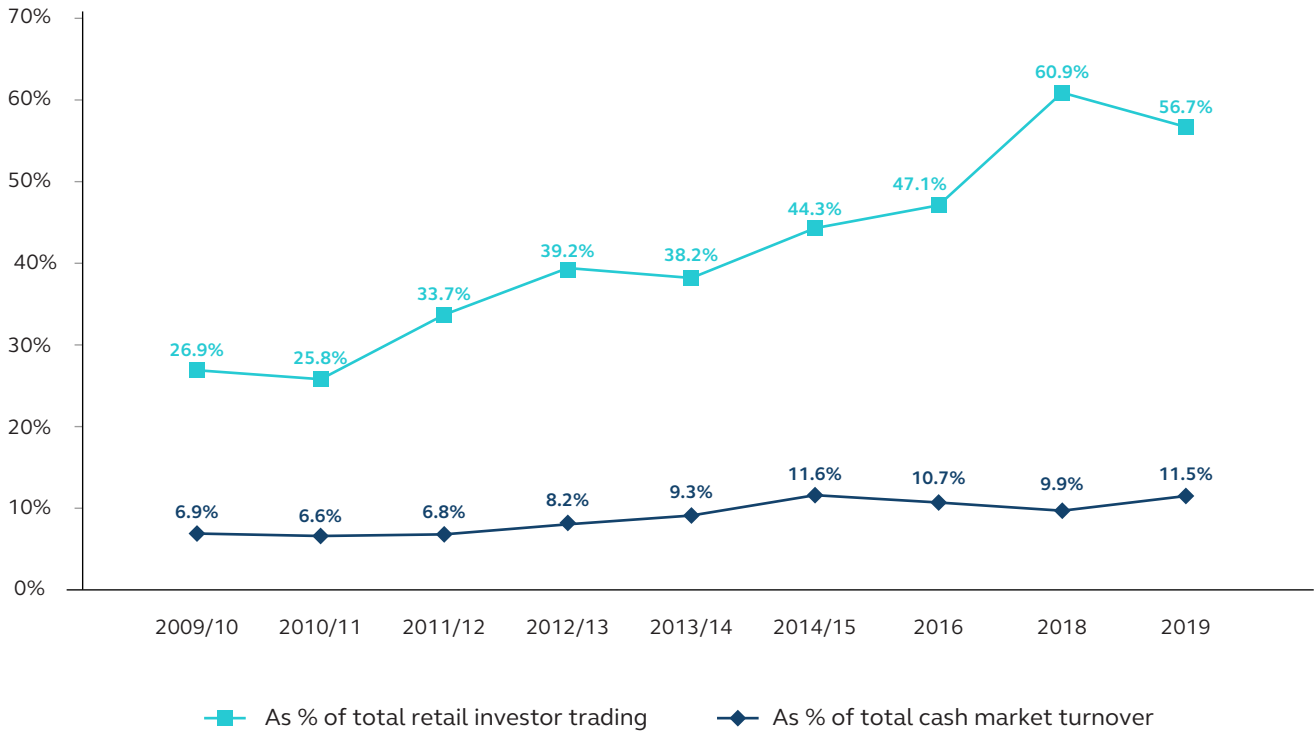
Note:

- The implied value of trading from a particular origin is determined by first calculating the implied overseas agency trading value during the study period of the survey, and then multiplying it by the percentage contribution to overseas agency trading by that origin as obtained from the survey.
- No survey was conducted for the year 2017.



### 3 Retail online trading

Figure 6. Percentage share of retail online trading value in cash market (2009/10 – 2019)



Note:  
No survey was conducted for the year 2017.



# Glossary

## Agency trading / Investor trading

Trading on behalf of the participant firm's clients, including client trading channelled from the firm's parent or sister companies.

## Implied value of trading

The implied value of trading for a particular type of trade is calculated by multiplying the percentage contribution to market turnover by that type of trade as obtained from the survey by the actual overall market turnover during the study period.

The implied value of trading from a particular overseas origin is calculated by first calculating the implied overseas agency trading value during the study period, and then multiplying it by the percentage contribution to overseas agency trading by that origin as obtained from the survey.

## Individual/retail investors

Investors who trade on their personal account.

## Institutional investors

Investors who are not individual/retail investors.

## Local investors

Individual/retail investors residing in Hong Kong or institutional investors operating in Hong Kong, with Hong Kong as the source of funds.

## Online brokers

Exchange Participants of SEHK who offer online trading service to individual/retail investors.

## Overseas investors

Individual/retail investors residing outside Hong Kong or institutional investors operating outside Hong Kong, with the source of funds overseas.

## Principal trading

Trading on the participant firm's own account.

## Retail online trading

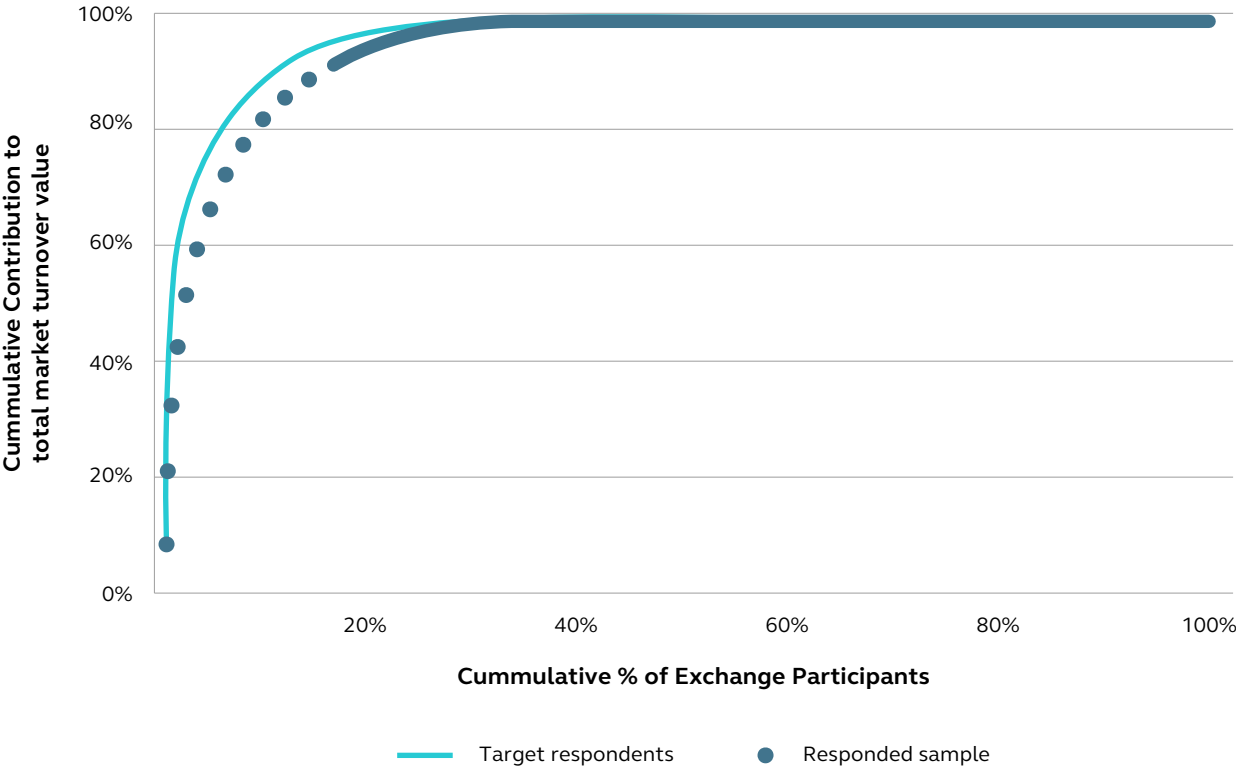
Trading originating from orders entered directly by individual/retail investors and channelled to the brokers via electronic media (e.g. the Internet).

# Appendix 1. Response rate and representativeness of the responded sample

We contacted a total of 637 EPs in the target population to participate in the survey. Out of the 637 questionnaires sent, 331 questionnaires were completed and received, representing an overall response rate of 52% by number and 93% by total turnover value in the target population.

Participant group	Target population	Responded sample	Response rate	
			By number	By turnover value
Category A brokers <sup>6</sup>	14	13	92.9%	94.3%
Category B brokers <sup>7</sup>	51	47	92.2%	95.8%
Category C brokers <sup>8</sup>	572	271	47.4%	67.8%
<b>Total</b>	<b>637</b>	<b>331</b>	<b>52.0%</b>	<b>92.7%</b>

Representativeness of the responded sample vis-à-vis the target population of EPs<sup>9</sup>

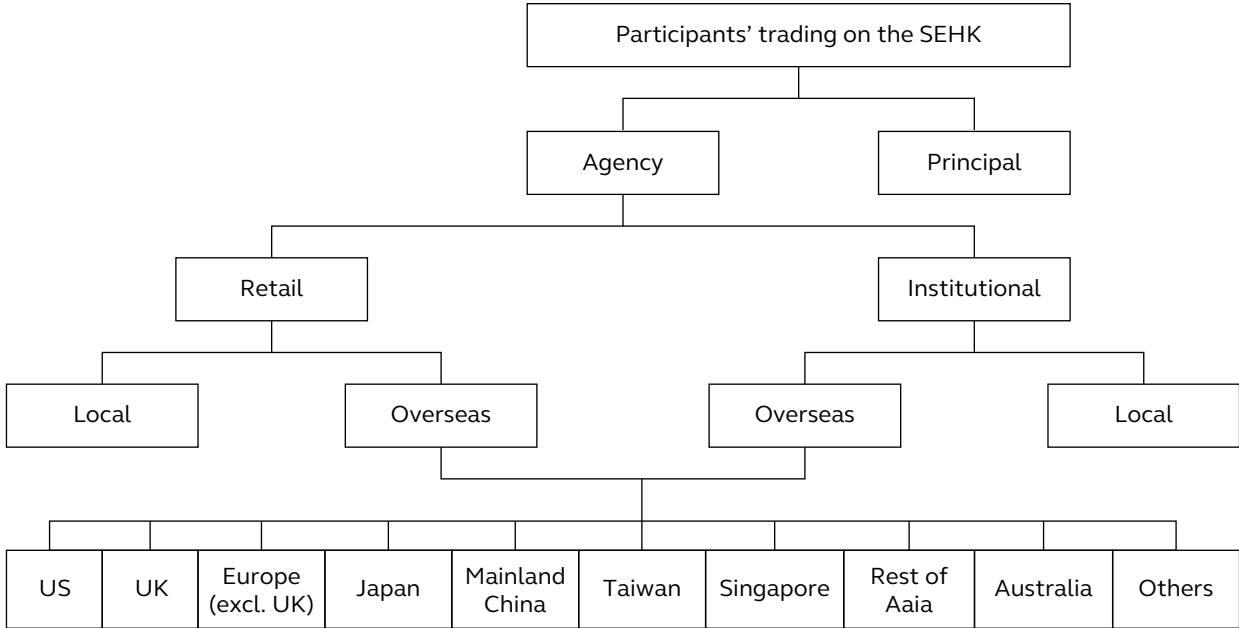


6 Category A brokers' market share ranked from position 1 to 14, for the year 2019.  
 7 Category B brokers' market share ranked from position 15 to 65, for the year 2019.  
 8 Category C brokers' market share ranked from position beyond 65, for the year 2019.  
 9 Excluding the Southbound EPs.



# Appendix 2. Survey design and methodology

## (1) Classification of Exchange Participants’ trading on SEHK



## (2) Target population

The target population included all Exchange Participants (“EPs”) of SEHK who had conducted trading in the cash market during the study period (the year 2019).

The specialised EPs designated for Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect Southbound trading (referred to as the “Southbound EPs”) – China Investment Information Services Limited for the former and China Innovation Market Service Company Limited for the latter – were excluded from the survey sample. All of the trading recorded for these EPs was included in the subsequent data analysis as investor trading from Mainland China.

## (3) Methodology

The study period is from January to December 2019.

The survey sample consisted of all EPs in the target population. An online survey tool was used since the 2018 Survey and, through email correspondence, EPs were asked to complete the questionnaire and submit their answers online. Close telephone/email follow-up was conducted to ensure a high response rate by turnover value. In the survey questionnaire, EPs were requested to provide an estimated percentage breakdown of their trading value during the study period in accordance with the prescribed classification. EPs were asked to provide their consolidated trading composition including trading channelled through their affiliate or sister companies as far as possible, if applicable. For responding EPs who have certain answers missing, a mean substitution method<sup>10</sup> for the missing values was adopted to complete the questionnaire, except for online trading. For online trading, EPs who reported to be online brokers but were unable to provide the proportion of their retail investor trading as online trading were excluded from the responded sample in calculating the retail online trading in percentage and value terms.

The answers of each responding EP with identity in percentage terms were weighted by the respondent’s total turnover value in the overall market accordingly to obtain respective values in the responded sample. The implied percentage shares of different types of trade in the market were then calculated, adjusted by the response rate in value terms relative to the target population.

<sup>10</sup> The average values obtained from other EPs in the same size group were applied to the missing cases. For this purpose, EPs in the target population (excluding Southbound EP) were divided into three size groups with equal aggregate contributions to total turnover value of the target population – large-sized brokers (contributing the top one-third of turnover in the target population), medium-sized brokers (contributing the second one-third of turnover) and small-sized brokers (contributing the bottom one-third of turnover).



For the Southbound EPs, all trading was regarded as overseas investor trading with Mainland China as the origin. As the breakdown of the Southbound trading by retail/institutional investors was not available, the overall share of retail/institutional investor trading based on weighted responses from the survey sample was applied to the Southbound EPs for completing the analysis for the market. For the analysis of retail online trading, the Southbound EPs were regarded as non-online brokers.

The implied value of trading for a particular type of trade is determined by multiplying the percentage contribution to total turnover (of target population) by that type of trade as obtained from the survey by the actual total turnover in the overall market during the study period for that year of survey.

## (4) Limitations

In providing the breakdown of total turnover value by the type of trade, many EPs could only provide their best estimates instead of hard data.

EPs might not know the true origins of all their client orders. For instance, an EP might classify transactions for a local institution as such when in fact the orders originated from overseas and were placed through that local institution, or vice versa.

In practice, it is not unusual for EPs to convey client orders to other EPs for execution. When providing the breakdown of their investor composition, most of the EPs would treat those EPs who conveyed orders to them as their ultimate clients, i.e. as local institutions, regardless of the client origin.

Some bank-related EPs might not be able to provide the trading composition of client orders originating from their associated banks and would treat the banks as their local institutional clients. This would also affect the result of retail online trading since part of the retail investor trading channelled through banks would be online.

Different EPs would have different corporate group structures and operating models within their corporate groups. Some EPs might be able to provide the investor composition of trading channelled via their sister companies; others may regard their sister companies as their clients and incorporated no further breakdown. In other words, the depth of detail in investor composition across EPs might not be on the same ground.

The non-responded EPs and responded EPs with missing responses for certain questions may have different trading composition from the other responded EPs. The exclusion of nonresponded EPs from the applicable analysis or the mean substitution method for missing answers might generate survey results deviating from the true situation. Since the survey has a high response rate by turnover value and a method of weighting by size group in treating missing responses was adopted to cater for the different trading composition by size group, the impact of non-responses to the overall findings would be limited. Nevertheless, there might be some impact on the types of investor trading which had relatively low contribution to market turnover.

In the analysis, Southbound trading assumed the same ratio of retail/institutional investor trading as that based on the overall weighted responses. However, Southbound trading from Mainland investors may have a different retail/institutional trading ratio due to the peculiar conditions of outward investment channels in Mainland China. Due to data unavailability of the investor composition of Southbound trading, the current treatment is considered the best-effort estimate. Nevertheless, the turnover value of the two designated Southbound EPs accounted for approximately only 6% (on a one-sided basis) of the total turnover of the overall target population (including the Southbound EPs) in 2019.

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