ECONOMIC REVIEW (A Monthly Issue) Issue 5, 2026

中國銀行 香港金融研究院
BANK OF CHINA Hong Kong Financial Research Institute

http://www.bochk.com

BOCHK Research Products

- 中銀財經述評
- **Economic Review**
- Offshore RMB Express
- Southeast Asia Watch
- Green Insights
- 中銀策略研究
- 內部研究報告

Author: Yujia Li
Email: liyujia@bochk.com
Tel: +852 282 66190

Contact: Ms. Siu
Email: sandysiu@bochk.com
Tel: +852 282 66206

Please follow BOCHK on WeChat for the latest economic and financial markets analyses

Decoding the Hong Kong Stock Market: Key Drivers and Outlook

Yujia Li, Economist

Recently, the Middle East conflict triggered risk aversion in global financial markets, and the allocation of financial resources is accelerating its shift from pursuing growth and efficiency to taking into account safety and stability. In 2026, Hong Kong stocks have entered a period of short-term volatility, while the market structure has shown signs of medium to long term improvement. In particular, Hong Kong's "safe haven" status is becoming more prominent. In an interview on March 17, 2026, Chief Executive John Lee stated that amid the developments in the Middle East area, capital continued to flow into Hong Kong. Looking ahead, the Hong Kong stock market may experience short-term volatilities amid rising global uncertainties, but there is still upside opportunities into the rest of 2026. In the primary market, with the continued trend of "A + H listing", we expect Hong Kong IPO fundraising to remain at a relatively high level. Markets are watching out for multiple factors from the perspective of market sentiments, capital flows and fundamentals.

I. The Recent Performance and Characteristics of Hong Kong Stock Market

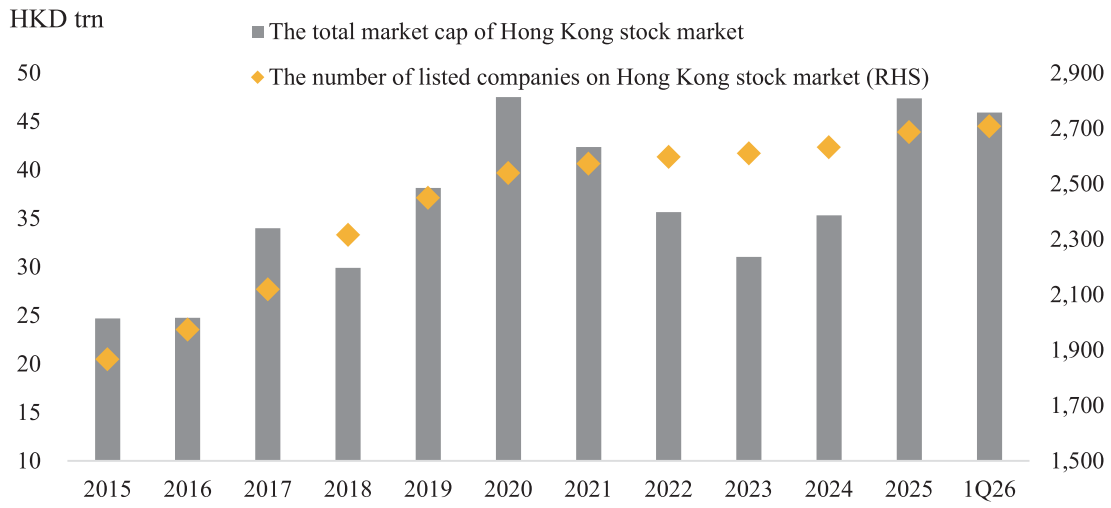
After the outbreak of the conflict between the US, Israel, and Iran, HK equities experienced increased short-term volatilities. As of April 23 2026, the Hang Seng Index rose by 1.1% cumulatively, underperformed major stock market indices such as S&P 500 and Nikkei 225. In longer run, relatively medium to long term data, i.e. IPO fundraising and number of fund company registered, continued to show an increasing trend, suggesting the prolonged rise in the structural attractiveness of Hong Kong equities. Short-term market fluctuations and medium to long term structural advancement constituted the market development of Hong Kong stocks since the beginning of 2026.

Disclaimer : This article reflects only the viewpoints of the author. It neither represents the opinion of the institution nor constitute any investment advice.

1. Market Size: Hong Kong stock market's capitalization increased YoY, ranked among the top ten global markets

In March 2026, the total market capitalization of Hong Kong stocks reached HKD 45.9tn, rose by 15% year-on-year (YoY), with 2,707 listed companies, increased by 3% YoY. According to the World Federation of Exchanges (WFE), ranked by USD-denominated market capitalization, in March 2026, Hong Kong stock market was the sixth largest market globally and the fourth largest in Asia. Among Hong Kong's financial landscape, the scale of stock market outpaced that of bond market, asset management market, and total deposit in the banking system. It plays an essential role in financing, pricing, and capital pooling, serves as a pivotal platform for international investors and listed companies seeking financing and investment opportunities across the Asia-Pacific region. Under global uncertainties, the substantial size of Hong Kong stock market further bolstered its role in global capital interconnection. This established a solid foundation for Hong Kong, as an international financial center, to attract global rebalancing flows over the medium to long term, thereby facilitating the efficient allocation and rotation of global financial resources.

Figure 1: Market capitalization and number of listed companies in Hong Kong since 2015

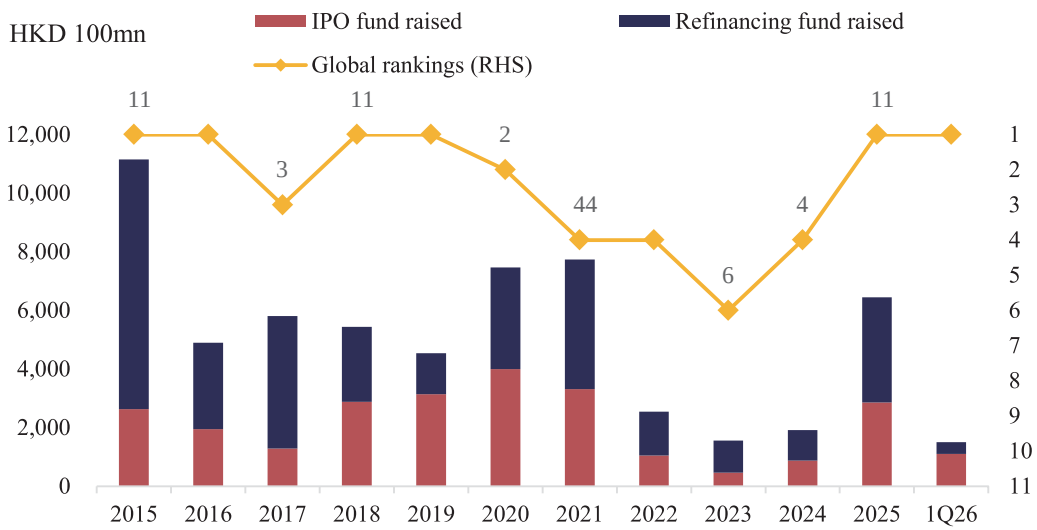


Source: Wind, Hong Kong Financial Research Institute of Bank of China

2. Incremental Fundraising: the scale of IPO fundraising surpassed refinancing scale, Hong Kong stock market continued attracting high-quality assets globally

In Q1 2026, the total IPO funds raised in Hong Kong reached HKD 109.9bn, an increase of approximately 5 times YoY, with 40 new listed companies, an increase of 1.4 times YoY. During the same period, funds raised through refinancing in Hong Kong totaled HKD 40.3 billion, declined by 122% YoY. In the ranking of IPO fundraising by major global exchanges, the Hong Kong Stock Exchange remained in the first place, before NASDAQ, the New York Stock Exchange, and Euronext. On one hand, "A+H listing" were continuously channeling high-quality assets into the Hong Kong stock market. Notably, Muyuan Foods and Dongpeng Beverage were the top two IPOs in the Hong Kong market in Q1 2026, each raising over HKD 10bn. On the other hand, the trend of "H+A listing", where Hong Kong listed companies list on the A-share market, was gradually emerging. Companies such as robotics and biotech companies from the Greater Bay Area have announced their plans to launch "H+A listing". Through closer integration with the A-share market, the Hong Kong stock market could continuously strengthen its medium to long term growth momentum and resilience amid volatilities.

Figure 2: The IPO fund raised in Hong Kong since 2015



Source: HKEX, Hong Kong Financial Research Institute of Bank of China

3. Flows and Turnover: Market liquidity continued to rise, facilitating Hong Kong to draw rising attention from global capitals

In Q1 2026, the average daily turnover (ADT) of Hong Kong stock market was HKD 276.7bn, increased by 14% YoY, indicating the further improvement of market liquidity after a record high in 2025. Since the outbreak of the Middle East conflict, capital flows in Hong Kong's financial markets have accelerated. In March 2026, the ADT of Hong Kong stocks reached HKD 304bn, a notable increase of 23.2% month-on-month (MoM). Mainland funds recorded an overall net inflow. From March 1 to April 22 2026, southbound funds saw a cumulative net inflow of HKD 87.2bn into Hong Kong equities. In a recent interview, Secretary for Financial Services and the Treasury, Mr. HUI Ching Yu, pointed out that Hong Kong has attracted a large and continuous inflow of medium and long term funds. As of March 2026, 715 open-ended fund companies (OFCs) and >1,600 limited partnership funds (LPFs) established in Hong Kong, increased by 38% and 45% respectively. Among them, a total number of 21 OFCs or LPFs registered outside Hong Kong moved their registration into Hong Kong.

Figure 3: The Hong Kong stock market ADT and the highest single-day turnover since 2015



Source: Wind, Hong Kong Financial Research Institute of Bank of China

4. Scope of Connectivity: With the successive implementation of cross-market linkage measures, the HKEX's cooperation footprint extended to more emerging markets

In Q1 2026, the Hong Kong Stock Exchange (HKEX) actively promoted connectivity and cooperation with other markets, strengthening synergy with emerging markets, especially the Southeast Asian markets. On one hand, cross-market connectivity has been further deepened. The HKEX collaborated with Bursa Malaysia and the Korea Exchange to launch joint indices. The weighting distribution for these indices was approximately 60% Hong Kong-listed companies and 40% overseas-listed companies. Several issuers expressed their interests in launching ETFs tracking these two indices in Hong Kong, providing more diversified investment opportunities for mainland and overseas investors. On the other hand, the HKEX promoted continuous cooperation among world exchanges. In March 2026, the HKEX and Bursa Malaysia signed a Memorandum of Understanding, to explore ways to open up more dual listing channels. Currently, >150 Southeast Asian Companies were listed in Hong Kong, with total fundraised > USD4.3bn. This established Hong Kong as the most favored overseas listing destination for Southeast Asian companies.

II. The Main Drivers of Hong Kong Stock Market Since the Beginning of 2026

In late February 2026, geopolitical tail risks turned to be a short-term market focus since the outbreak of the Middle East conflict, and the financial assets repricing drove a rapid adjustment in global markets. The allocation of financial resources is accelerating its shift from pursuing growth and efficiency to taking into account safety and stability. **From the perspective of short-term risk aversion,** the weakening of financial globalization and the prominence of sovereign security premiums were the main factors driving the structural adjustment in global financial markets. In particular, geopolitical risk pricing is gradually becoming a core variable affecting market sentiment and capital flows, leading to increased short-term volatility in global financial assets such as Hong Kong stocks. **From the perspective of steady growth in the medium to long term,** the rising global financial uncertainty highlighted the medium to long term resilience and growth prospects of specific regions, assets and sectors. The structural advancement in Hong Kong stock market factored in the markets' initial pricing.

The conflict between the US, Israel, and Iran directly impacted the short-term trend of Hong Kong stock market through risk aversion and financial market repricing. The HSI Volatility Index (VHSI) rose from 2.84% on February 27, 2026, to a recent high of 3.73% on March 30. Financial market pricing also factored in changes in the macroeconomic environment, such as global growth slowdown and increased inflation stickiness. These changes also caused a spillover effect on Hong Kong stock market through corporate earnings and valuation. According to the Global Financial Stability Report from International Monetary Fund (IMF), the price-based absorption of shocks is a key feature of resilient markets. It facilitates risk sharing across investors and preserves price discovery critical for efficient capital allocation.

Mainland companies going global and the financing trends in the new economy sector supported Hong Kong IPO fundraising remaining at a high level. Amid rising global uncertainties, mainland

companies seeking listings in Hong Kong not only aimed at liquidity needs for financing, but also showed a need for diversification of their industrial and supply chains. In 2024, the Central Government proposed supporting leading mainland companies to list in Hong Kong, and the Hong Kong SAR government proactively engaged with them, launching a series of practical measures. In recent years, mainland companies going global have been thriving in new economy sectors such as new energy and new consumption sectors. This promoted a combination of going global companies and new economy sectors becoming the main engine for IPO fundraising in Hong Kong market.

The HALO strategy enhanced the market demand for Hong Kong equities in resources and security-related sectors. During the initial wave of AI investment, global investors gradually developed the HALO (Heavy Assets, Low Obsolescence) investment strategy. This approach placed particular emphasis on heavy-asset sectors that are resistant to large-scale AI replacement. The Middle East conflict further strengthened the necessity of ensuring the supply of critical resources and building physical security barriers, driving up market interest in related sectors. Since the beginning of 2026, Hong Kong equities have seen leading gains in sectors such as semiconductors, electrical equipment, and utilities, while the Internet sector has been relatively under pressure. This suggested that the Hong Kong stock market's allocation strategy could be shifting from remarkably focusing on tech stocks to a more diversified investment strategy.

III. The Reform Measures Implemented in Hong Kong Stock Market

In recent years, the global geopolitical landscape has been evolving at an accelerated pace. As stock exchanges compete to implement reforms, competition among international financing centers is increasingly concentrating among top-tier players. Hong Kong has taken the initiative to "identify changes, adapt to changes, and seek for changes". Following the launch of a series of reforms to the Listing Rules in 2018, Hong Kong continuously introduced innovative measures. Since the beginning of 2026, the Hong Kong stock market gradually implemented the relevant initiatives, focusing on market mechanisms and financing efficiency, with the aim of enhancing the inclusiveness and adaptability of the Hong Kong stock market

1. The Budget provided top-level arrangements for the advancement of Hong Kong stock market policies in 2026

The 2026-27 Budget ("the Budget") promoted the mutual reinforcement of "AI+" and "Finance+", proposing multiple initiatives for the securities market aimed at attracting issuers and enhancing market efficiency. First, it aimed to further broaden technology financing channels and improved the quality of Hong Kong's stock market assets. The Budget proposed to consult the market on amending the listing requirements for "Weighted Voting Rights (WVR)" structures and streamlining the process for secondary listings by overseas issuers. It also sought to facilitate and attract more aerospace enterprises to list in Hong Kong. Second, it strove to further benchmark against the highest international trading standards to enhance market liquidity and efficiency. The Budget proposed to consult the market on the implementation plan for a "T+1" settlement cycle and planned to introduce an Uncertificated Securities Market (USM) regime within the year. Third, it promoted the next phase of reforms to continuously improve market mechanisms. This included

exploring measures with the market, such as providing an over-the-counter (OTC) trading platform for delisted shares or those requiring special treatment.

2. HKEX released Consultation Paper on Competitiveness Review of Listing Framework

In April 2026, the HKEX published the Consultation Paper on Competitiveness Review of Listing Framework. This consultation continued the main policy trajectory of supporting new economy companies established since 2018. It not only further focused on and optimized the listing policies for Specialist Technology Companies and Biotech Companies, but also introduced a comprehensive set of supportive measures for market inclusiveness and adaptability. First, relaxed listing thresholds for Weighted Voting Rights (WVR) structures. The Consultation Paper primarily proposed measures in three areas: market capitalization thresholds, voting rights ratios, and the definition of innovation. These aimed to enhance the appeal of the Hong Kong market to companies with WVR structures, particularly new economy enterprises. Second, facilitated secondary listings for overseas issuers in Hong Kong. The Consultation Paper proposed lowering the threshold for overseas issuers seeking a secondary listing in Hong Kong and redrafting the guidance for converting a secondary listing into a dual-primary listing. Third, extended the confidential filing mechanism to all industries. In 2025, the HKEX launched a dedicated technology enterprises channel (TECH) to further facilitate New Listing applications from prospective Specialist Technology Companies and Biotech Companies. The Consultation Paper further benchmarked against international exchanges such as those in the US and Singapore, by extending confidential filing to cover all listing applicants across all industries.

3. HKEX released Consultation Paper on Accelerated Settlement for the Hong Kong Cash Market

In April 2026, the HKEX published Consultation Paper on Accelerated Settlement for the Hong Kong Cash Market, which proposed a shift from the current T+2 settlement cycle to T+1 settlement cycle. The existing T+2 settlement cycle for Hong Kong stock market had been in place for >30 years, while major global markets were accelerating their transition to T+1 or even shorter cycles. The HKEX estimated that by the end of 2027, 88% of global equity trading would adopt a T+1 or T+0 settlement cycle. First, it enhanced capital allocation efficiency in the stock market. Faster settlement of funds and securities allowed investors to reinvest more swiftly. Second, it mitigated counterparty systemic risk. With only one-day trading volume pending settlement daily, the risk exposure of unsettled shares and the counterparty risk could be further reduced.

IV. Hong Kong Stock Market Outlook for 2026

Looking ahead, global rising uncertainties may lead to short-term volatility in the Hong Kong stock market, but there is still upside opportunities into the rest of 2026. In the primary market, with the continued trend of “A + H listing”, we expect Hong Kong IPO fundraising to remain at a relatively high level. The following factors are noteworthy from the perspective of market sentiments, capital flows and fundamentals.

1. Sentiments: Looking out for the evolving updates on recent market spotlights, such as the US-Iran conflict. Short-term events will continue to dominate market sentiments for Hong Kong equities. (1)

The conflict between the US, Israel, and Iran still remained uncertain, and unexpected market events could trigger renewed volatility in Hong Kong equities and financial market repricing. (2) With the US midterm elections approaching, the market is closely monitoring the US policy statements in areas such as trade and tariff policies, monetary and fiscal policies, and US-China relations. (3) Under the inflation stickiness and the Federal Reserve (the Fed) Chair transition, the Fed's rate cut trajectory saw relatively high uncertainties, which could affect market sentiments.

2. Capital flows: Paying attention to the positive impact of USD/CNY exchange rate on the liquidity of Hong Kong stock market. Currently, the CNY exchange rate against the USD is under a moderate appreciation trend. This, coupled with the global trend of asset diversification, could boost the long-term investment attractiveness of Hong Kong equities, and thus support the liquidity in the Hong Kong stock market. Meanwhile, we expect Southbound net inflows to maintain at a relatively high cumulative scale in 2026. Hong Kong value stocks, high-dividend stocks as well as the stocks from new economy sector, keep being attractive to mainland investors.

3. Fundamentals: Closely watching out for the progress of earnings recovery for Hong Kong listed companies. Following a rapid valuation rebound in 2025, earnings growth stem from fundamental improvements could be a primary driving force for Hong Kong equities in 2026. With the gradual implementation of the 15th Five Year Plan and the practical upgrades of innovative technologies such as AI, it is crucial to monitor the future earnings recovery. Especially after the market sentiment stabilizes, the market focus could be shifting to corporate earnings.

4. IPO Market: Focusing on the trend of new economy and high-end manufacturing companies listing in Hong Kong. Since 2018, a series of listing reforms launched by the HKEX promoted the restructuring of Hong Kong stock market, providing greater inclusiveness and convenience for new economy companies to seek for funding. Looking ahead, with the trend of high-quality development of the national macroeconomy and the self-sufficiency and control of industrial and supply chains, the mainland's related sectors including the new productive forces are booming. Hong Kong stock market could see more new economy companies from the mainland and international markets to list, supporting its IPO fundraising in 2026. In the medium to long term, this would continue to promote the advancement of market structure and strengthen the market growth momentum.

Disclaimer & Important Notes

This document is published by Bank of China (Hong Kong) Limited ("BOCHK") and is for reference only.

The content contained in this document has not been reviewed by the Securities and Futures Commission of Hong Kong.

This document is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution would be contrary to any laws or regulations.

This document is for reference only. It does not constitute, nor is it intended to be, nor should it be construed as investment recommendation or professional advice, or offer, solicitation, recommendation, comment or guarantee to the purchase or sale, subscription or transaction of any investment products or services stated herein. You should not make any investment decision based upon the information provided in this document.

The information provided is based on sources which BOCHK believes to be reliable but has not been independently verified. Therefore, BOCHK does not make any representation, warranty or undertaking as to the accuracy, completeness or correctness of the information or opinions provided in this document. The forecasts and opinions contained in this document are only provided as general market commentaries and are not independent investment research reports and are not to provide any investment advice or return guarantee and should not be relied upon as such. All views, forecasts and estimates are judgements of the analysts made before the publication date, and are subject to change without further notice. No liability or responsibility is accepted by BOCHK and related information providers in relation to the use of or reliance on any such information, projections and/or opinions whatsoever contained in this document. Investors must make their own assessment of the relevance, accuracy and adequacy of the information, projections and/or opinions contained in this document and make such independent investigations as they may consider necessary or appropriate for the purpose of such assessment.

The securities, commodities, foreign exchanges, derivatives or investments referred to in this document may not be suitable for all investors. No consideration has been given to any particular investment objective or experience, financial situation or other needs of any recipient. Accordingly, no representation or recommendation is made and no liability is accepted with regards to the suitability or appropriateness of any of the securities and/or investments referred to herein for any particular person's circumstances. Investors should understand the nature and risks of the relevant product and make investment decision(s) based on his/her own financial situation, investment objectives and experiences, willingness and ability to bear risks and specific needs and if necessary, should seek independent professional advice before making any investment decision(s). This document is not intended to provide any professional advice and should not be relied upon as such.

BOCHK is a subsidiary of Bank of China Limited. Bank of China Limited, its subsidiaries and/or their officers, directors and employees may have positions in and may trade for their own account in all or any of the securities, commodities, foreign exchanges, derivatives or investments mentioned in this document. Bank of China Limited or its subsidiaries may have provided investment services (whether investment banking or non investment banking related), may have underwritten, or may have acted as market makers in relation to these securities, commodities, foreign exchanges, derivatives or investments. Commission or other fees may be earned by Bank of China Limited or its subsidiaries in respect of the services provided by them relating to these securities, commodities, foreign exchanges, derivatives or other investments.

No part of this document may be edited, reproduced, extracted, transferred or transmitted to the public or any unapproved person in any form or by any means (including electronic, mechanical, photocopying, recording or otherwise), or stored in a retrieval system, without the prior written permission of the BOCHK.

"Hong Kong Financial Research Institute of Bank of China"

"Hong Kong Financial Research Institute of Bank of China"("the Institute") is the core research and strategic planning centre within the Bank of China (Hong Kong) Group. Rooted in Hong Kong, setting our sights on the Greater Bay Area, Southeast Asia, Asia-Pacific and the world, the Institute focuses on macro-economics and policies, financial markets, RMB internationalization and digital currencies, financial sector reforms and innovation, green and sustainable finance development. The Institute, as the knowledge centre of BOC, combines original macro, meso and micro researches with real-world practices to provide unique insights and advices to the community. With the core mission of serving the country and Hong Kong, the Institute advises the government agencies, and has built extensive collaborations and joint research with prestigious universities, think tanks and industry leaders in Hong Kong and Mainland China. The Institute has 60 professional researchers and produces close to 1,000 internal and external research papers annually.

Author:

Yujia Li: Economist at Hong Kong Financial Research Institute of Bank of China, covering financial market research.

If you have any suggestions or want to publish your research papers in this product, please contact us by espadmin@bochk.com or directly contact the author(s).

Please follow BOCHK on WeChat for the latest economic and financial markets analyses

©Copyright. Bank of China (Hong Kong) Limited. All rights reserved.

主要經濟指標 (Key Economic Indicators)

一、本地生產總值 GDP	2023	2024	2025/Q3	2025/Q4
總量 (億港元) GDP(HKD 100million)	29,812	31,868	8,577	8,821
同比增長率 (%) YoY change(%)	3.2	2.6	3.7	3.8
二、對外商品貿易 External merchandize trade			**2026/2**	**2026/1-2**
外貿總值 (億港元) Total trade(HKD 100million)				
總出口 Total exports	45,317	41,774	4,088	9,283
總進口 Total imports	49,275	46,450	4,729	10,073
貿易差額 Trade balance	-3,958	-4,676	-641	-790
年增長率 (%) YoY Growth(%)				
總出口 Total exports	-8.6	-7.8	24.7	29.6
總進口 Total imports	-7.2	-5.7	29.9	34.1
三、消費物價 Consumer Price				
綜合消費物價升幅 (%) Change in Composite CPI(%)	1.9	2.1	1.7	1.5
四、零售市場 Retail market				
零售額同比升幅 (%) Change in value of total sales YoY(%)	-0.9	16.2	19.3	11.8
五、訪港遊客 Visitors				
總人數 (萬人次) Total arrivals(10 thousands)	60.5	3,400.0	514.2	995.3
年升幅 (%) YoY change(%)	561.5	5,523.8	40.2	18.4
六、勞動就業 Employment			**2025/12-2026/2**	**2026/1-2026/3**
失業人數 (萬人) No. of unemployed(10 thousands)	16.3	11.3	13.5	13.7
失業率 (%) Unemployment rate(%)	4.3	2.9	3.8	3.7
就業不足率 (%) Underemployment rate(%)	2.3	1.1	1.7	1.6
七、住宅買賣 Domestic property sales and price index			**2026/1**	**2026/2**
合約宗數 (宗) No. of agreements	45,050	43,002	5,669	6,669
住宅售價指數 (1999=100) Domestic price index	369.7	337.4	302.8	307.6
八、金融市場 Financial market			**2026/2**	**2026/3**
港幣匯價 (US$100=HK$) 期末值	780.8	781.1	782.5	783.9
HKD exchange rate (US$100 = HK$), end of period				
銀行體系收市總結餘 (億港元) 期末值	962.5	449.5	539.0	537.7
Closing aggregate balance(HKD 100million), end of period				
銀行總存款升幅 (%)	1.7	5.1	0.9	-
Change in total deposits(%)				
銀行總貸款升幅 (%)	-3.0	-3.6	1.6	-
Change in total loans & advances(%)				
最優惠貸款利率 (%) 期末值	5.6250	5.8750	5.0000	5.0000
Best lending rate (%), end of period				
恒生指數 Hang Seng Index	19,781	17,047	26,631	24,788