恒生指數 HANG SENG INDEXES

HSI 55

BLOG

25 November 2024

Hang Seng Index:
55 Years of Remarkable Journey



Launched on 24 November 1969, the Hang Seng Index ('HSI') has just celebrated its 55th anniversary on the past Sunday. Over the past 55 years, the HSI has transformed from a fledgling index comprising 33 constituents, to become the most renowned and widely quoted index for the Hong Kong stock market. The 82-constituent HSI now serves as a benchmark to reflect the overall performance of the Hong Kong stock market. In this blog, we are going to delve into the fascinating 55-year odyssey of the HSI.

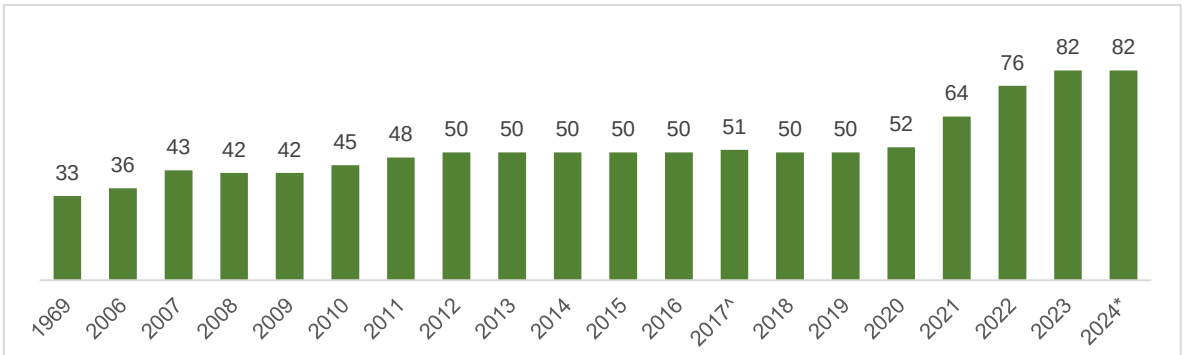
HSI was Officially Launched on 24 November 1969

Initiated by Hang Seng Bank's former Chairman Dr Lee Quo-Wei, the HSI was only created for the bank's internal reference of the Hong Kong stock market at the very beginning. The newborn index was updated on a daily basis and had proven to be accurately reflecting the market performance at the time. As a result, **the Hang Seng Bank decided to officially launch the HSI on 24 November 1969**.

The number "33" has been a special number for the Hang Seng Bank, as the bank was established on 3 March 1933, therefore **33 securities were selected as HSI's constituents at the time of launch in 1969**. Over the past 55 years, the HSI has undergone various reforms and enhancements, which include raising the number of constituents in the index to reflect market condition at the time and continue improving market coverage.

The first major change regarding number of constituents took place in 2006, which was 37 years after the launch of the HSI. At the time it was announced that the HSI would start to include H-share companies as constituents and **raise the cap of constituent numbers to 38 (exhibit 1)** as an interim measure. As the constituent number of the HSI reached 38 in 2007, the cap was further increased to 50 to ensure that the HSI would continue to comprise the largest and most liquid stocks in the Hong Kong stock market and serve as one of the most representative market benchmarks. **The constituent cap remained at 50 until 2020**, when a comprehensive review was launched to study the composition and selection of constituents, number of constituents, weightings, industry and geographical representation. The latest round of major enhancement was implemented in 2021 after the aforementioned review and consultation, which included **increasing the number of constituents to an ultimate target of 100**.

Exhibit 1: Number of Constituents in the HSI Since Launch



Source: Hang Seng Indexes Company; ^Index treatment for Wharf REIC's spin-off; *Data as of 31 October 2024

Only 4 Companies Remain as HSI's Constituents Since Launch

Since its introduction on 24 November 1969, regular adjustments of HSI constituents have been made to reflect the importance of different sectors and to keep track of the closer economic ties between Hong Kong and mainland China.

Numerous constituents come and go over the past 55 years, as listed companies in Hong Kong have been going over merger & acquisitions, privatisation amidst market competition. **Among the 33 constituents at the time of HSI's launch in 1969, only 4 remain as HSI's constituents as at the end of October 2024**, namely CLP Holdings Limited, Hong Kong and China Gas Company Limited, Hongkong and Shanghai Banking Corporation, and Power Assets Holdings Limited. Exhibit 2 showed the 33 constituents of the HSI in 1969.

Exhibit 2: HSI's 33 Constituents in 1969

HSI's Constituents		
Allied Inv	HK Electric	Lane Crawford 'A'
China Light	HK Land	Nanyang
China Provident	HK Realty 'A'	San Miguel
City Hotels	HK Telephone	S-Sea Textile
Dairy Farm	HK Tramways	Star Ferry
G I Cement	HK Wharf	Swire Pacific 'A'
HK& China Gas	HK Yaumati	Tex Alliance
HK & S Hotels	Hutchison	W Marden 'A'
HK Aircraft	Jar Matheson	W Maritime'A'
HK Bank	Jar Securities	Watsons
HK Dock	Kln Motor Bus	Wynncor

Source: Hang Seng Indexes Company;
Red highlights indicate existing constituents; Data as of 31 October 2024

Financials was the Largest Weighting Industry in the HSI

After 55 years of market's ups and downs, the number of constituents in the HSI has gradually increased to 82, with **market value coverage ratio and market turnover coverage ratio at 67% and 62% respectively**, as at end of October 2024. **Top 10 weighting constituents now accounted for about 56% in total of the index's weighting, as shown by exhibit 3**.

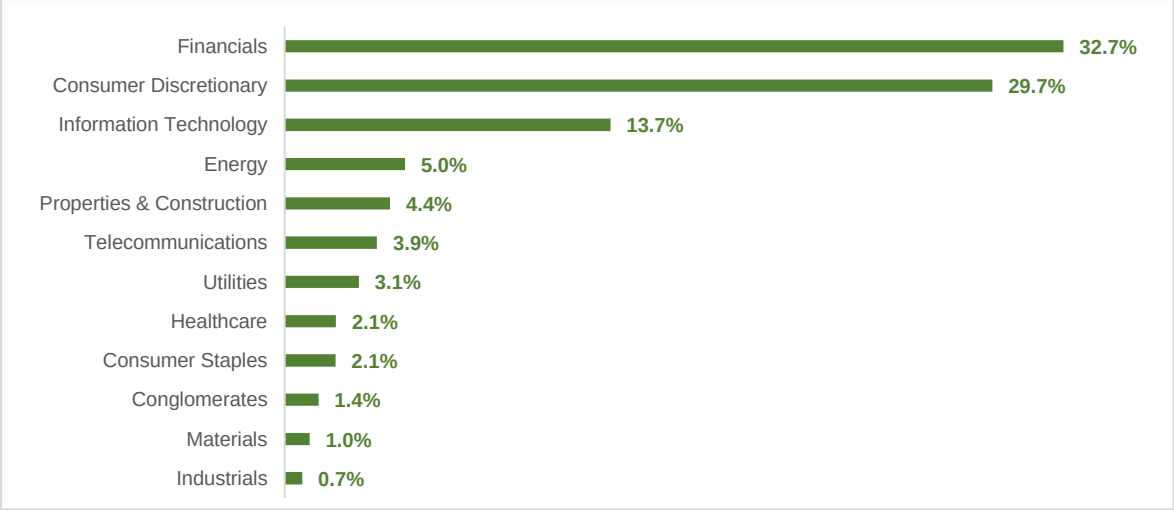
As of 31 October 2024, **Financials was the largest industry with a weighting of almost 33% (exhibit 4)**, followed by Consumer Discretionary (30%) and Information Technology (14%), while **Hong Kong companies made up about 27% of the index's weighting (exhibit 5)**.

Exhibit 3: HSI's Top 10 Constituents (By Weighting)

	Code	Company	Industry	Weighting (%)
1	3690.HK	MEITUAN - W	Consumer Discretionary	8.6%
2	9988.HK	BABA - W	Consumer Discretionary	8.2%
3	0700.HK	TENCENT	Information Technology	7.4%
4	0005.HK	HSBC HOLDINGS	Financials	7.4%
5	1299.HK	AIA	Financials	5.5%
6	0939.HK	CCB	Financials	5.2%
7	1810.HK	XIAOMI - W	Information Technology	3.8%
8	0941.HK	CHINA MOBILE	Telecommunications	3.5%
9	0388.HK	HKEX	Financials	3.0%
10	1398.HK	ICBC	Financials	2.9%
			Subtotal	**55.7%**

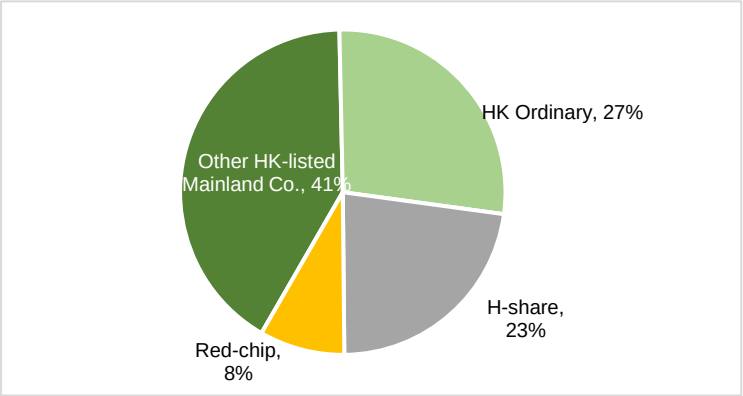
Source: Hang Seng Indexes Company; Data as of 31 October 2024

Exhibit 4: HSI's Weighting Breakdown (By Industry)



Source: Hang Seng Indexes Company; Data as of 31 October 2024

Exhibit 5: HSI's Weighting Breakdown (By Share Type)



Source: Hang Seng Indexes Company; Data as of 31 October 2024

HSI Repositioned as Benchmark for Overall Hong Kong Stock Market in 2023

The HSI has undergone various reforms and enhancements over the past decades, with the purpose of maintaining market representativeness and capturing the evolution of Hong Kong's financial market.

The first major enhancement took place in 2006. Changes included switching methodology from full market-capitalisation weighted to **freefloat-adjusted market-capitalisation weighted, and starting to include H-shares (exhibit 6)**, which resulted in the first ever change in the maximum number of constituents since launch. Another major change in methodology happened in 2021. Enhancements included fixing the ultimate constituent number at 100 to improve market coverage, expansion in industrial representation through selecting constituents from seven industry groups, etc.

In addition, following the expansion of coverage to primary-listed foreign companies, the HSI has repositioned as a **benchmark for the overall Hong Kong stock market**, from representing the Greater China companies listed in Hong Kong.

Exhibit 6: HSI's Major Milestone

Year	Milestone
1969	Launch of HSI with 33 constituents
1994	First Red-Chip included in HSI
2006	First H-share included in HSI Adopted freefloat-adjusted market capitalsation weighted methodology Announced to increase the no. of constituents to 38
2007	Announced to increase the no. of constituents to 50
2014	First REIT included in HSI
2020	First Weighted Voting Right companies and Secondary-listed companies included in HSI
2021	Expansion in industrial representation with 7 industry groups Announced to increase the no. of constituents to 100
2023	Expanded coverage to primary-listed foreign companies Repositioned as benchmark for overall HK stock market

Source: Hang Seng Indexes Company; Data as of 31 October 2024

Comprehensive Product Ecosystem Built on the HSI

Over the past decades, the HSI has evolved from an internal reference for Hang Seng Bank, to a globally recognised benchmark for the Hong Kong stock market, with a comprehensive product ecosystem built around it.

The HSI is used as the base index for a wide variety of derivatives products. **HSI futures was launched in May 1986 (exhibit 7), followed by HSI options in March 1993**. Since then, these derivative products have become very popular with increasing domestic and international investors' participation. For instance, **futures and mini futures on the HSI accounted for almost 35% of total Hong Kong futures trading volume in the first ten months of 2024**.

In terms of exchange-traded products (ETPs) including exchange-traded funds (ETFs) and leveraged and inverse products (L&I Products), since the first ETF that tracks the HSI (also the first ever ETF listed in Hong Kong) was launched in 1999, **the number of ETPs tracking the HSI has increased to 15, with the total assets under management (AUM) reaching almost USD25 billion**, as at the end of October 2024.

Exhibit 7: HSI's Product Ecosystem

Launch Date	Products
11/24/1969	Launch of HSI
5/6/1986	Launch of HSI Futures
3/5/1993	Launch of HSI Options
11/12/1999	Launch of First HSI-linked ETF
10/9/2000	Launch of Mini HSI Futures
11/18/2002	Launch of Mini HSI Options
2/8/2010	Launch of Flexible HSI Options
3/14/2017	Launch of First HSI-linked L&I
9/16/2019	Launch of Weekly HSI Options
8/23/2021	Launch of HSI futures options
2/29/2024	Launch of First HSI-linked Covered Call ETF

Source: Hang Seng Indexes Company; Data as of 31 October 2024

HSI Jumped by over 19% in the First Ten Months of 2024

Launched on 24 November 1969, the HSI ended its first official trading day at 158.5, which increased to 20,317 on 31 October 2024 (exhibit 8), **representing a cumulative return of almost 12,720% since launch**.

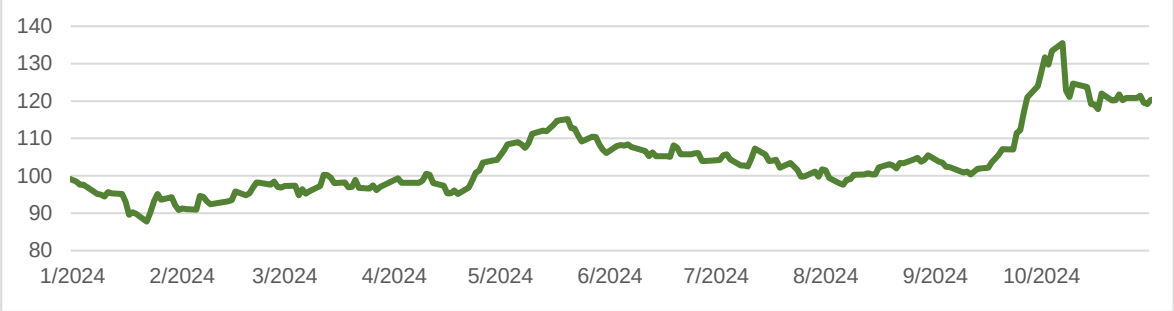
Following 4 years of consolidation, the Hong Kong stock market as represented by the HSI saw a strong rebound in 2024. **The HSI jumped by over 19% in the first ten months of 2024 (exhibit 9)**, amidst US rate cuts and China's policy stimulus, outperforming the Hang Seng Composite Index ('HSCI') by 2.5 percentage points. As of 31 October 2024, the HSI offered a dividend yield of 3.6% and a price-to-earnings ratio of 12x.

Exhibit 8: HSI Since its Launch in 1969



Source: Hang Seng Indexes Company; Data as of 31 October 2024

Exhibit 9: HSI Jumped by 19% in the First Ten Months of 2024



Source: Hang Seng Indexes Company; Rebased to 100 on 29 December 2023; Data as of 31 October 2024

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