

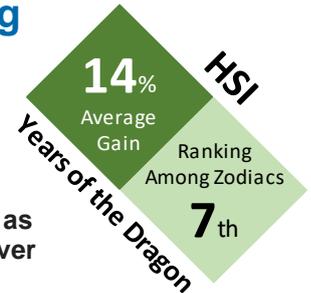


# Index Flash

7 February 2024

## 55 Years of HSI's Journey: How did the Hong Kong Stock Market Perform in the Years of the Dragon?

In a few days we are going to bid farewell to the Year of the Rabbit and welcome the arrival of the Dragon. While the departing Rabbit does not look like a healthy one, what could we expect of the upcoming Dragon? Historical data of the Hang Seng Index ('[HSI](#)') may bring relief to investors, as the Years of the Dragon showed proven track records of positive returns over the past zodiac cycles, with an average gain of 14%.



### All Four Years of Dragon Saw Positive Returns over the Past Decades

Launched on 24 November 1969, the **HSI** is going to celebrate its **55th anniversary** this year. During such long period, the Hong Kong stock market has entered the 5<sup>th</sup> zodiac cycle, and will see the **start of the Year of the Dragon on 10 February 2024**. Following a dismal year of the Rabbit, which saw a decline of almost 27% (exhibit 1) through Tuesday (6 February 2024), representing the worst-performing lunar year for the Rabbits and recent years (exhibit 2), performance in the lunar year ahead could be the top of mind for investors.

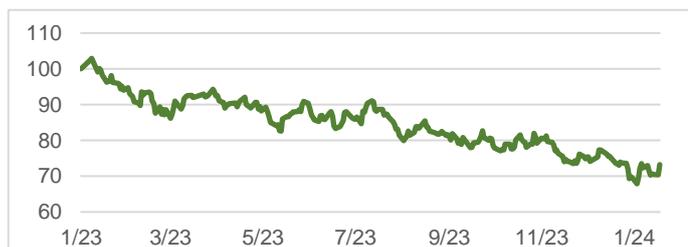
Uncertainty around the Fed's rate outlook and mainland's economy may continue to weigh on the market sentiment for the time being, nonetheless historical data showed a different path. Over the past 55 years, **the HSI posted an average return of 14% (exhibit 3) in the four Years of the Dragon**, which **ranked 7<sup>th</sup>** among the 12 Chinese zodiacs. More importantly, the double-digit average gain was not achieved by just one or two years of ultra-high return. In fact, **all four Years of the Dragon registered positive returns ranging from 0.5% to 33.4% (exhibit 4)**. Notably in the previous Year of the Dragon (2012), the HSI increased by 15%, as market sentiment was lifted by major central banks' easing programs.

### Years of Rat Posted Strongest Return while Years of Snake Fell the Most

Among the 12 zodiacs, **the Years of the Rat posted the strongest average gain of 46%**, mainly driven by a single year of extraordinary performance back in the 70s. Exhibit 5 showed that, the Year of the Rat, which started in 1972, saw an impressive performance as high as 221%, thanks to the buying frenzy prior to the 1973 market crash, after which the HSI plunged by 57% and 49% in the following Years of the Ox (1973) and Tiger (1974) respectively. Notably, **the 1972 Rat was also the best-performing lunar year on record (exhibit 5)**, followed by the 1993 Rooster (+94.5%), when the HSI options were launched and the HSI first reached 10,000 points.

On the other hand, **the Years of the Snake ranked last among the 12 zodiacs with an average decline of 13.9%**, which was much lower than the 5.7% average decline of Ox, the second-worst performing zodiac. Exhibit 6 showed that **all four Years of Snake posted negative returns**, of which, the 2001 Snake tumbled by 32% as a result of the burst of the Dot-com bubble.

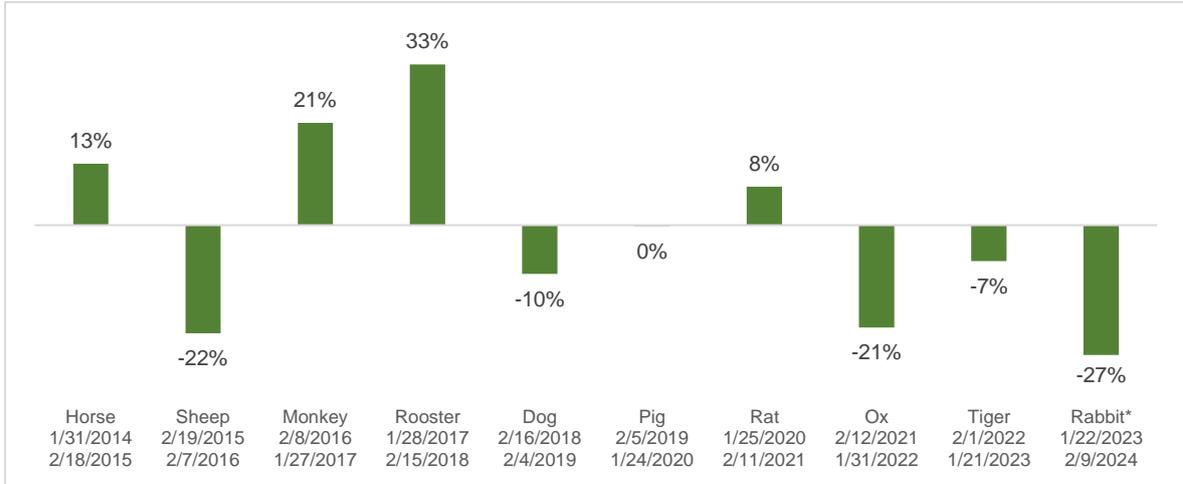
Exhibit 1: The HSI Retreated in the Year of the Rabbit



Source: Hang Seng Indexes Company;  
Rebased to 100 on 20 January 2023; Data as of 6 February 2024

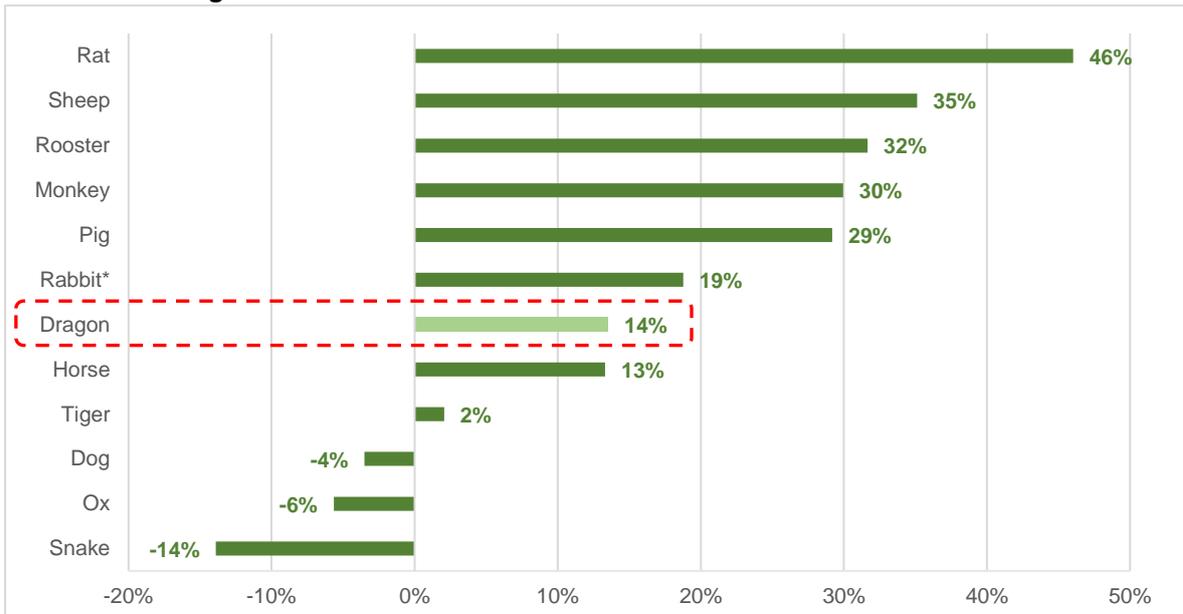


Exhibit 2: HSI's Performance over the Past 10 Lunar Years



Source: Hang Seng Indexes Company; \*Data as of 6 February 2023

Exhibit 3: Average Performance of Zodiac Years from 1970 to 2024



Source: Hang Seng Indexes Company; Excluding the Year of Rooster starting from 1969; Data as of 6 February 2023

Exhibit 4: Years of Dragon Returns

| Period                | Return     |
|-----------------------|------------|
| 1/31/1976 - 2/17/1977 | 5%         |
| 2/17/1988 - 2/5/1989  | 33%        |
| 2/5/2000 - 1/23/2001  | 0%         |
| 1/23/2012 - 2/9/2013  | 15%        |
| <b>Average</b>        | <b>14%</b> |

Exhibit 6: Years of Snake Returns

| Period                | Return      |
|-----------------------|-------------|
| 2/18/1977 - 2/6/1978  | -7%         |
| 2/6/1989 - 1/26/1990  | -11%        |
| 1/24/2001 - 2/11/2002 | -32%        |
| 2/10/2013 - 1/30/2014 | -5%         |
| <b>Average</b>        | <b>-14%</b> |

Exhibit 5: Best 10 Lunar Years

| Zodiac  | Period                | Return | Rank |
|---------|-----------------------|--------|------|
| Rat     | 2/15/1972 - 2/2/1973  | 221%   | 1    |
| Rooster | 1/23/1993 - 2/9/1994  | 95%    | 2    |
| Sheep   | 1/28/1979 - 2/15/1980 | 77%    | 3    |
| Rabbit  | 2/11/1975 - 1/30/1976 | 76%    | 4    |
| Monkey  | 2/16/1980 - 2/4/1981  | 71%    | 5    |
| Rabbit  | 2/16/1999 - 2/4/2000  | 70%    | 6    |
| Ox      | 1/26/2009 - 2/13/2010 | 61%    | 7    |
| Pig     | 1/31/1995 - 2/18/1996 | 58%    | 8    |
| Pig     | 1/27/1971 - 2/14/1972 | 55%    | 9    |
| Sheep   | 2/1/2003 - 1/21/2004  | 49%    | 10   |

Source: Hang Seng Indexes Company; Data as of 6 February 2023



### Disclaimer

The information contained herein is for reference only. Hang Seng Indexes Company Limited (“Hang Seng Indexes”) ensures the accuracy and reliability of the information contained herein to the best of its endeavours. However, Hang Seng Indexes makes no warranty or representation as to the accuracy, completeness or reliability of any of the information contained herein and accepts no liability (whether in tort or contract or otherwise) whatsoever to any person for any damage or loss of any nature arising from or as a result of reliance on any of the contents of this document, or any errors or omissions in its contents and such contents may change from time to time without notice.

The information contained herein does not constitute any express or implied advice or recommendation by Hang Seng Indexes for any investments. Investment involves risks. Prospective investors should seek independent investment advice to ensure that any of their decisions is made with regard to their own investment objectives, financial circumstances and other particular needs. Prospective investors should also note that value of securities and investments can go down as well as up and past performance is not necessarily indicative of future performance.

© Hang Seng Indexes Company Limited 2024. All rights reserved.