Analysis: Investors overlooking tariff noise benefit Hong Kong deal flows

Hong Kong stocks and listings have performed well since the start of the year as depressed valuations and budding confidence has shifted capital away from US stocks; more listings this week show the momentum is here to stay, despite tariff uncertainty.

Christopher Chu
June 10, 2025

The Hang Seng Index has returned nearly 20% over the first five months of the year after the late January release of DeepSeek sparked renewed interest into Hong Kong listed Chinese tech companies.

Budding enthusiasm for China's aritificial intelligence (AI) ambitions have also coincided with Beijing signalling increasing support for private sector companies in what was interpreted as a policy shift prioritising the economy.

The eight-month market rally has attracted a slew of high-profile deals to the Hong Kong Stock Exchange (HKEX), pushing bellwether proxies higher. In the biggest listing of the year, electric vehicle (EV) battery maker Contemporary Amperex Technology (CATL) raised HK$35 billion ($5.2 billion) in a secondary offering just weeks after triple-digit trade tariffs dominated market headlines.

The CATL listing also comes months after Midea Group secured HK$31 billion when the appliance manufacturer was seen as a consumer confidence gauge amid a slumping property market in China.

According to Dealogic, as of last week, year-to-date (YTD), Hong Kong is the largest new listing venue globally, ex-SPACs, with close to $10 billion raised. Hong Kong has seen over $30 billion n raised from equity transactions with a market share of 12%, while volumes YTD in Hong Kong ECM are the largest since 2021. The Hang Seng Index has pushed above the 24,000 mark after starting the year around the 19,900 level.

In another sign of momentum, on June 10, the HKEX saw advertising and data firm MetaLight, food manufacturer Newtrend Group Holding Co., and retail payment equipment firm Rongta Technology (Xiamen) Group, all make their debut.

Liquidity visibility

The flurry of deals suggest a recovery in risk appetite, particularly for tech and green energy names. However, this thesis is expected to be tested given sudden shifts in geopolitics when lockup periods for cornerstone investors expire.

Despite Washington and Beijing reaching a 90-day reprieve in mid-May, markets have already priced in the tariff risks, noted Steve Alain Lawrence, chief investment officer of Balfour Capital Group, speaking with *FinanceAsia*.

“Large institutions are increasingly treating geopolitical tension as background noise and instead focusing on sector-specific tailwinds in AI, EVs, and the clean tech space,” Lawrence explained, pointing to the swift rebound to pre – ‘Liberation Day; levels demonstrating that investors are looking at fundamentals more than policy headlines.

Even with tariffs higher now than they were at the start of the year, investors continue to see further room for the Hong Kong stock rally. The Hang Seng Index trades at a lower market multiple than the S&P 500 while supportive monetary conditions and rising southbound flows are channelling liquidity into a market heavily represented by real estate and financial constituents.

That liquidity should bode well for Hong Kong’s capital raising activities. Sharnie Wong, senior research analyst at Bloomberg Intelligence, estimates that the city-state could see over $22 billion in deal flows this year, as CATL and Midea Group draw in other Chinese listings looking to dual list when Beijing is fast tracking oversea approvals.

CATL’s Reg S classification deal is particularly critical, noted Balfour Capital Group’s Lawrence, given that despite not being open to US onshore investors, the investor shortfall was quickly met by sovereign funds and long-only institutions in Asia, the Middle East, and Europe, who were comfortable to back a Chinese green tech leader.

The Reg S format has proven to be a viable model for future listings, Lawrence said, adding that the CATL fund raising shows that there is enough capital outside of the US to support future deals in Hong Kong, which is increasingly seen as a neutral listing venue, one that is geopolitically insulated but globally connected.

“For issuers, this means less scrutiny, more flexibility, and still-deep liquidity,” he explained, implying that the arrival of notable Chinese companies and subsequent trading activities are proving to be a welcome development even if any tariff truce between Washington and Beijing proves to be short-lived.

Hong Kong as a benchmark

CATL, which supplies nearly 40% of the EV market, recently showcased a battery that could power an electric vehicle for a 500km journey on a single five-minute charge.

Meanwhile, analysts are anticipating a business re-rating for Midea Group’s robotics and automation divisions, benefiting a target price based on a sum-of-parts calculation. An expansion of the household trade-in policy would also support sentiment for the home appliance manufacturer.

Without a significant boost to the rest of the economy, new listings risk reallocating capital away from existing stocks, meaning a sustainable recovery may still take time to materialise. Even with perpetual reprieves, Chinese tariffs to the US remain around 40%, significantly higher than the 11% before the start of the year, according to Morgan Stanley estimates.

However, given that lingering market uncertainty, Lawrence predicts large allocators to continue seeking diversification options, extending the rotation out of US equities as part of a geopolitical hedging, and into markets like Hong Kong that have emerged as a newly watched benchmark for new economy stocks.