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Hong Kong stocks surge on AI optimism despite US-China trade tensions

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People walk past Exchange Square, which houses the Hong Kong Stock Exchange, in Central, Hong Kong, Jan 5, 2024. (SHAMIM ASHRAF / CHINA DAILY)

Hong Kong stocks posted strong gains on Tuesday in their second trading day following the Chinese New Year holiday, as investors cast a confident vote in Chinese artificial intelligence amid US-China tit-for-tat trade friction.

The benchmark Hang Seng Index ended up 2.83 percent at 20,789.96, while the Hang Seng Tech Index jumped more than 5 percent to 4,977.38. The Hang Seng China Enterprises Index gained 3.51 percent to 7,643.63.

Technology equities, particularly firms involved in semiconductors, led the gains. Global Data Solutions surged more than 19 percent as investors bet on the company's data centers benefiting from Hangzhou-based artificial intelligence startup DeepSeek's competitive pricing strategy. Solomon Systech International jumped 16.7 percent, while Shanghai Fudan Microelectronics Group advanced 13.1 percent.

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Chinese electric vehicle maker XPeng jumped over 12 percent, while peers Li Auto and Geely Automobile gained 8.7 percent and 7.9 percent respectively.

E-commerce giants also rallied, with JD.com up 6.7 percent, Meituan gaining 6 percent, and Alibaba Group rising 3.9 percent.

Guotai Junan Securities analysts noted DeepSeek's rapid user growth -- reaching 20 million daily active users in 20 days - has sparked voracious demand for computing power, marking a shift in value from AI models to applications.

DeepSeek's advantages in low-cost, high-performance AI capabilities could prompt investors to reassess Chinese tech companies' technological potential, according to Huatai Securities.

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The market rally came despite new trade tensions. US President Donald Trump's additional 10 percent tariff on all Chinese imports took effect on Tuesday. In response, China's finance ministry announced levies of 15 percent on US coal and liquefied natural gas, and 10 percent on crude oil, farm equipment and certain automobiles, effective Feb 10.

The Ministry of Commerce also announced export controls on metals including tungsten and molybdenum, citing national security concerns. In addition, Chinese authorities launched a probe into Google, just after the US tariff deadline passed.

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