

# Market Summaries

## People's Republic of China

LCY bonds outstanding in the People's Republic of China (PRC) reached CNY29.2 trillion in 1Q14, expanding 2.2% quarter-on-quarter (q-o-q) and 10.5% year-on-year (y-o-y). Corporate bond market growth outpaced that of the government sector on both a q-o-q and y-o-y basis to reach CNY10.2 trillion at end-March.

Table 1: Size and Composition of the LCY Bond Market in the People's Republic of China

	Outstanding Amount (billion)						Growth Rates (%)			
	1Q13		4Q13		1Q14		1Q13		1Q14	
	CNY	US\$	CNY	US\$	CNY	US\$	q-o-q	y-o-y	q-o-q	y-o-y
<b>Total</b>	26,456	4,260	28,602	4,724	29,233	4,702	4.0	17.8	2.2	10.5
Government	17,561	2,828	18,602	3,073	19,002	3,056	1.7	8.3	2.1	8.2
Treasury Bonds	8,071	1,300	9,178	1,516	9,136	1,470	(0.03)	8.8	(0.5)	13.2
Central Bank Bonds	1,344	216	552	91	552	89	0.0	(30.3)	0.0	(58.9)
Policy Bank Bonds	8,146	1,312	8,872	1,465	9,313	1,498	3.7	18.6	5.0	14.3
Corporate	8,895	1,432	10,000	1,652	10,231	1,646	9.1	42.4	2.3	15.0
Policy Bank Bonds										
China Development Bank	5,422	873	5,764	952	5,988	963	2.9	15.9	3.9	10.4
Export-Import Bank of China	1,183	191	1,339	221	1,458	235	6.4	31.2	8.9	23.2
Agricultural Devt. Bank of China	1,541	248	1,769	292	1,867	300	4.4	19.3	5.6	21.2

(-) = negative, LCY = local currency, q-o-q = quarter-on-quarter, y-o-y = year-on-year.

Notes:

1. Calculated using data from national sources.
2. Treasury bonds include savings bonds and local government bonds.
3. Bloomberg LP end-of-period LCY-US\$ rate is used.
4. Growth rates are calculated from LCY base and do not include currency effects.

Sources: Bloomberg LP, *ChinaBond*, and *Wind*.

Corporate bond issuance rose 11.6% q-o-q but fell 26.5% y-o-y in 1Q14. The q-o-q rise was due to expectations that the People's Bank of China will tighten monetary policy later in 2014.

Table 2: Notable LCY Corporate Bond Issuance in 1Q14

Corporate Issuers	Coupon Rate (%)	Issued Amount (CNY billion)
China Three Gorges Corporation		
5-year bonds	5.69	5
Guangdong Railway Construction Investment Group		
7-year bonds	6.55	4
Beijing State-Owned Capital Management Center		
5-year bonds	6.48	3
Shijiazhuang Sinopharm Investment Group		
7-year bonds	7.50	3
Hebei Iron and Steel		
3-year bonds	7.20	3
Shanxi Coking Coal Group		
5-year bonds	6.21	3

LCY = local currency.

Source: *ChinaBond*.

LCY bonds outstanding among the top 30 corporate bond issuers in the PRC reached CNY4.1 trillion at the end of 1Q14, representing 40% of total LCY corporate bonds outstanding. Other than banks, the largest issuers come from state-owned enterprises, particularly those involved in utilities, infrastructure, and energy.

Table 3: Top 30 Issuers of LCY Corporate Bonds in the People's Republic of China

	Issuers	Outstanding Amount		State-Owned	Listed Company	Type of Industry
		LCY Bonds (CNY billion)	LCY Bonds (US\$ billion)			
1.	China Railway	881.0	141.71	Yes	No	Transportation
2.	State Grid Corporation of China	374.5	60.24	Yes	No	Public Utilities
3.	China National Petroleum	330.0	53.08	Yes	No	Energy
4.	Industrial and Commercial Bank of China	230.0	36.99	Yes	Yes	Banking
5.	Bank of China	219.9	35.38	Yes	Yes	Banking
6.	China Construction Bank	200.0	32.17	Yes	Yes	Banking
7.	Agricultural Bank of China	150.0	24.13	Yes	Yes	Banking
8.	China Minsheng Bank	122.3	19.67	No	Yes	Banking
9.	Central Huijin Investment	109.0	17.53	Yes	No	Diversified Financial
10.	Petrochina	106.0	17.05	Yes	Yes	Energy
11.	China Petroleum & Chemical	101.2	16.28	Yes	Yes	Energy
12.	China Guodian	95.5	15.36	Yes	No	Public Utilities
13.	China Power Investment	89.2	14.35	Yes	No	Public Utilities
14.	Shenhua Group	89.0	14.32	Yes	No	Energy
15.	China Three Gorges Project	87.5	14.07	Yes	No	Public Utilities
16.	Bank of Communications	86.0	13.83	No	Yes	Banking
17.	Industrial Bank	85.9	13.82	No	Yes	Banking
18.	Shanghai Pudong Development Bank	81.2	13.06	No	Yes	Banking
19.	China Southern Power Grid	73.5	11.82	Yes	No	Public Utilities
20.	China Life	68.0	10.94	Yes	Yes	Insurance
21.	China Merchants Bank	67.7	10.89	No	Yes	Banking
22.	China Citic Bank	66.3	10.67	No	Yes	Banking
23.	China Huaneng Group	63.6	10.23	Yes	No	Public Utilities
24.	Tianjin Infrastructure Investment Group	55.3	8.89	Yes	No	Capital Goods
25.	China Everbright Bank	52.7	8.48	No	Yes	Banking
26.	State-Owned Capital Operation and Management Center of Beijing	48.5	7.80	Yes	No	Diversified Financial
27.	Shaanxi Coal and Chemical Industry Group	48.5	7.80	Yes	Yes	Energy
28.	Citic Group	46.5	7.48	Yes	No	Diversified Financial
29.	China Datang	46.2	7.43	Yes	No	Public Utilities
30.	Bank of Beijing	43.5	7.00	No	Yes	Banking
<b>Total Top 30 LCY Corporate Issuers</b>		<b>4,118.61</b>	<b>662.46</b>			
<b>Total LCY Corporate Bonds</b>		<b>10,231.13</b>	<b>1,645.64</b>			
<b>Top 30 as % of Total LCY Corporate Bonds</b>		<b>40%</b>	<b>40%</b>			

LCY = local currency.

Notes:

1. Data as of end-March 2014.

2. State-owned firms are defined as those in which the government has more than a 50% ownership stake.

Source: *AsianBondsOnline* calculations based on *Wind* data.

Table 4: Notional Values of the PRC's Interest Rate Swap Market in 1Q14

Interest Rate Swap Benchmarks	Notional Amount (CNY billion)	% of Total Notional Amount	Number of Transactions	Growth Rate (%)	
				4Q13	q-o-q
7-Day Repo Rate	675.3	83.9	7,552	61.4	64.6
Overnight SHIBOR	40.9	5.1	166	(53.0)	(82.1)
3-Month SHIBOR	78.7	9.8	1,006	(12.2)	(11.8)
1-Year Term Deposit Rate	6.6	0.8	120	(27.5)	618.8
LIBOR	2.6	0.3	13	975.0	-
1-Year Loan Prime Rate	0.2	0.02	2	(52.2)	-
1-Year Lending Rate	0.2	0.02	1	(84.5)	(97.4)
<b>Total</b>	<b>804.5</b>	<b>100.0</b>	<b>8,860</b>	<b>32.6</b>	<b>9.1</b>

(-) = negative, - = not applicable, LIBOR = London Interbank Offered Rate, PRC = People's Republic of China, q-o-q = quarter-on-quarter, Repo = repurchase, SHIBOR = Shanghai Interbank Offered Rate, y-o-y = year-on-year.  
Sources: *AsianBondsOnline* and *ChinaMoney*.