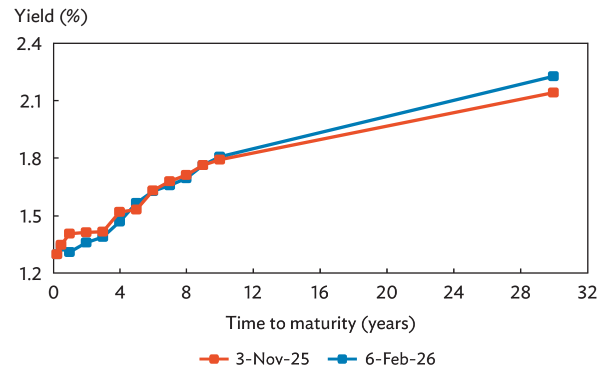
Market Summaries

People's Republic of China

Yield Movements

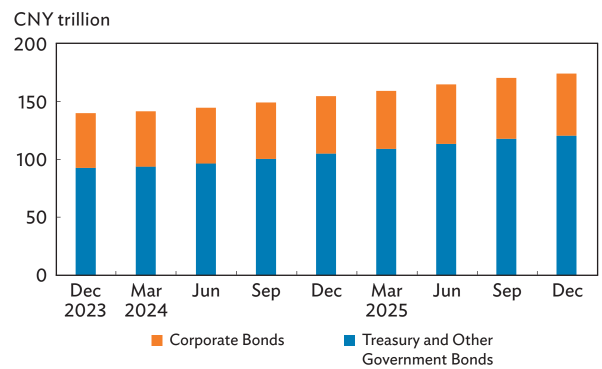
The local currency (LCY) government bond yield curve of the People's Republic of China (PRC) steepened between 3 November and 6 February on falling yields. Yields fell for most tenors in the PRC over weak inflation data and increased liquidity from the central bank (**Figure 1**). Yields fell an average of 4 basis points (bps) for the 8-year tenor and below, excluding the 3-month and 5-year tenors. Meanwhile, yields for the 10-year and the 30-year tenors remained elevated during the review period as steep declines in January and February failed to fully offset previous increases. The PRC's yields rose mostly from the end of December through the first week of January over expectations of increasing inflation amid a positive growth outlook, which was also reflected in stock market gains at that time, reversing previous negative sentiment. Consumer price inflation rose strongly to 0.8% year-on-year (y-o-y) in December and 0.7% y-o-y in November from 0.2% y-o-y in October. Yields subsequently declined for the remainder of the review period on several factors. Consumer price inflation fell to 0.2% y-o-y in January. In addition, the PRC's efforts to slow the stock market's appreciation caused the return of some funds to the bond market. Lastly, the People's Bank of China added liquidity to financial markets via reverse repos and medium-term lending.

Figure 1: The People's Republic of China's Benchmark Yield Curve—Local Currency Government Bonds



Source: Based on data from Bloomberg LP.

Figure 2: Composition of Local Currency Bonds Outstanding in the People's Republic of China



CNY = Chinese yuan.
Source: CEIC Data Company.

Local Currency Bond Market Size and Issuance

The PRC's bond market expansion decelerated slightly in Q4 2025, with the stock of outstanding bonds reaching CNY174.7 trillion, as the government had already completed most of its funding in previous quarters. The LCY bond market's expansion moderated to 2.2% quarter-on-quarter (q-o-q) in the fourth quarter (Q4) of 2025 from 3.4% q-o-q in the previous quarter (**Figure 2**). Slower gains were seen mostly in the government bond market over a decline in financing activity as the end of the year approached. In particular, policy bank bonds outstanding were mostly unchanged at the end of December from the previous quarter, while both Treasury bonds and local government bonds posted slower growth rates. Meanwhile, corporate bonds outstanding maintained their rate of increase as fewer bonds matured in the quarter.

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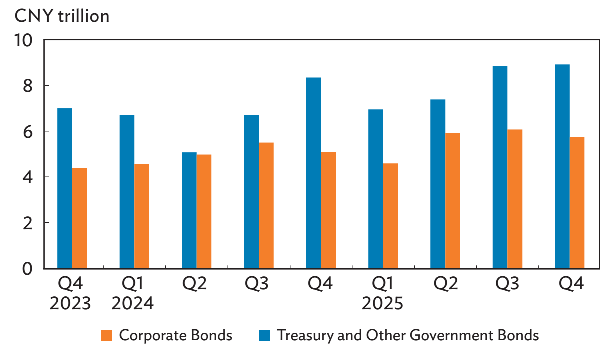
The PRC saw reduced bond issuance in Q4 2025 in both the government and corporate sectors. The largest decline was seen in government issuance, which fell 22.6% q-o-q (**Figure 3**). Issuance contracted the most for local government bonds (–42.3%) and policy bank bonds (–42.2%). Policy bank bond issuance declined as there had been accelerated issuance in the previous quarter to avoid the pending imposition of value-added taxes. Corporate bond issuance contracted 5.4% q-o-q over uncertainty in the PRC's economy.

Figure 3: Composition of Local Currency Bond Issuance in the People's Republic of China



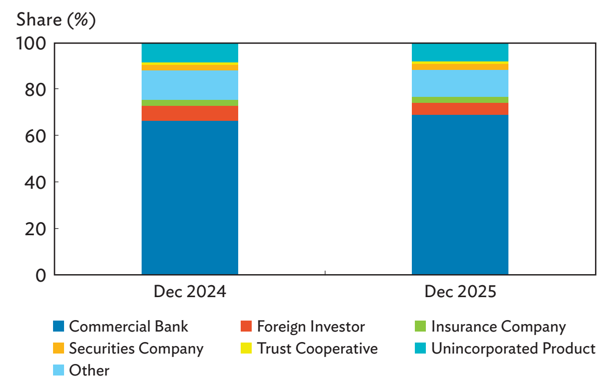
CNY = Chinese yuan, Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter.

Source: CEIC Data Company.

Investor Profile

Banks continued to purchase Treasury bonds amid increased liquidity as well as a slowdown in loan growth. Banks added significantly more Treasury bonds at the end of 2025, with the share of total Treasury bond holdings rising to 69.2% from 66.6% in the previous year. The move came following announcement that the People's Bank of China had resumed bond buying in October and indications that it would support liquidity. Bond demand was also fueled by weak loan growth, as banks needed to reinvest their customer deposits. In contrast, the share of unincorporated products, which are bank products offered to retail clients such as wealth management products, fell to 7.7% at the end of 2025 from 8.3% a year earlier as retail investors allocated more to equities.

Figure 4: Investor Profile of Treasury Bonds

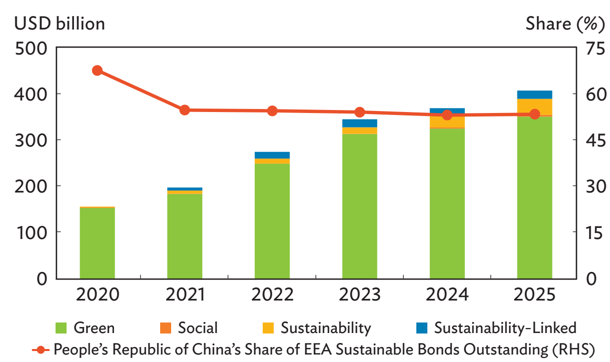


Source: CEIC Data Company.

Sustainable Bond Market

Sustainable bonds outstanding in the PRC continued to expand in 2025 on robust issuance. The PRC's sustainable bond market reached a size of USD409.4 billion at the end of 2025, representing 53.5% of emerging East Asia's sustainable bond total.[18] The rate of market expansion ticked up to 10.5% y-o-y in 2025 from 6.8% y-o-y in 2024, supported by strong issuance of USD147.8 billion, which comprised 64.0% of the regional total. The PRC's outstanding sustainable bonds were predominantly green bonds, which accounted for 85.8% of the market's total. The issuance surge in 2025 was driven by the PRC's need to meet the goals stated in the 14th Five-Year Plan for a Modern Energy System, which required the PRC to attain certain green energy milestones by the end of 2025. The next largest share was for sustainability bonds, which comprised 8.4% of the PRC's sustainable bonds outstanding.

Figure 5: Sustainable Bonds Outstanding in the People's Republic of China



EEA = emerging East Asia, RHS = right-hand side, USD = United States dollar.

Notes:

1. Emerging East Asia is defined to include the member states of ASEAN plus the People's Republic of China; Hong Kong, China; and the Republic of Korea.
2. Data include both local currency and foreign currency sustainable bonds.
3. Sustainability-linked bonds include transition-linked bonds.

Source: *AsianBondsOnline* calculations based on Bloomberg LP data.

[18] Emerging East Asia is defined to include member states of the Association of Southeast Asian Nations plus the People's Republic of China; Hong Kong, China; and the Republic of Korea.