Market Summaries

People's Republic of China

Yield Movements

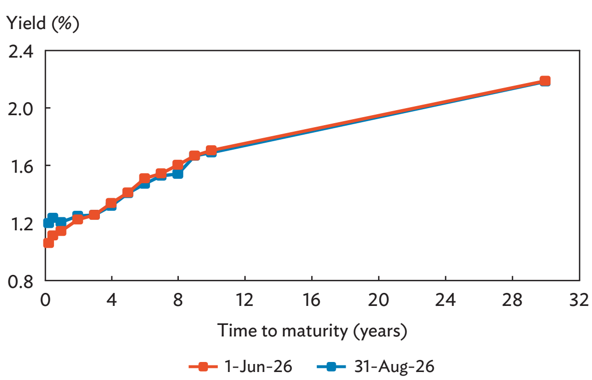
The yield curve for the People's Republic of China's (PRC's) local currency (LCY) government debt securities was mostly unchanged between 1 June and 31 August (**Figure 1A**). Yields rose in June for most tenors as the Middle East conflict raised inflation expectations but subsequently fell in July and August as tensions eased and economic data from the PRC showed an overall weakening (**Figure 1B**). Foreign investment demand also contributed to the decline.

Local Currency Bonds Outstanding and Issuance

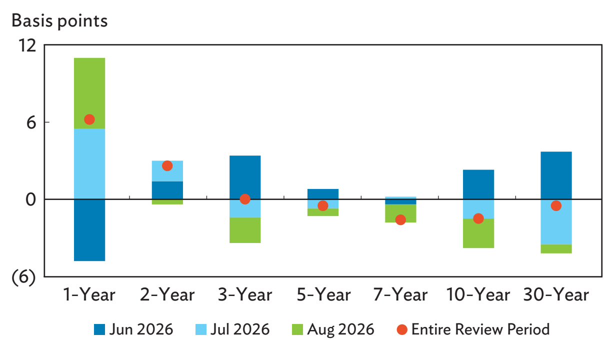
LCY debt securities outstanding rose 2.4% quarter-on-quarter (q-o-q) to CNY183.5 trillion at the end of the second quarter (Q2) of 2026, of which CNY173.5 trillion comprised bonds (i.e., debt securities with a maturity exceeding 1 year) (**Figure 2A**). The expansion of the PRC's LCY bond market accelerated in Q2 to 3.4% q-o-q from 2.7% in the prior quarter, driven by financial institutions eager to issue bonds following delayed corporate bond approvals in the previous quarter (**Figure 2B**).

Figure 1: Yields for Local Currency Government Debt Securities in the People's Republic of China

A. Local Currency Government Debt Securities Yield Curve



B. Changes in Local Currency Government Debt Securities Yields



( ) = negative.
Source: *AsianBondsOnline* calculations based on Bloomberg LP data.

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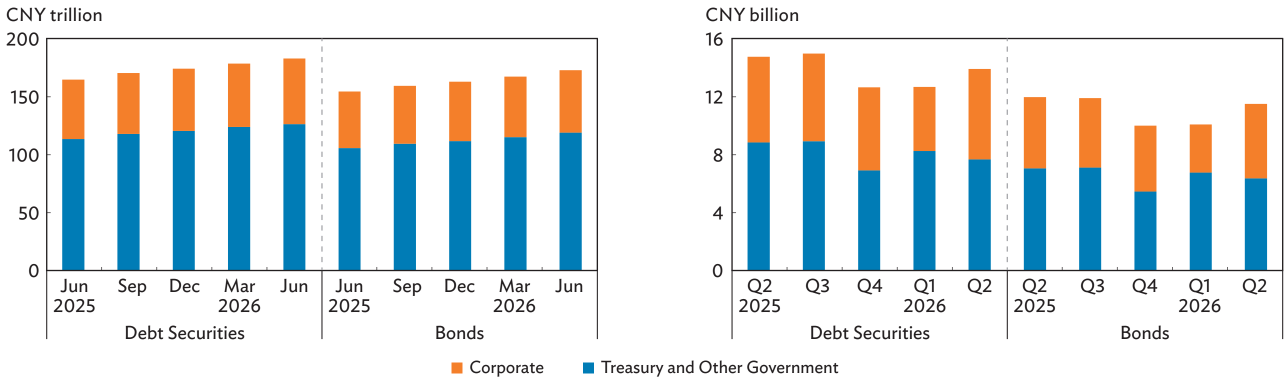
Figure 2: Local Currency Debt Securities Outstanding and Issuance in the People's Republic of China

A. Local Currency Debt Securities Outstanding

B. Local Currency Debt Securities Issuance



CNY = Chinese yuan, Q1 = first quarter, Q2 =second quarter, Q3 =third quarter, Q4 = fourth quarter.
Note: Bonds are defined as debt securities with maturities longer than 1 year.
Source: CEIC Data Company.

Investor Profile

Commercial banks remained the dominant investor in the PRC's government debt securities market at the end of June, with their holdings share roughly stable at 70.1% compared with 69.6% at the end of March (**Figure 3A**). However, foreign investors continued to add bonds in May and June on increased safe-haven demand driven by the Middle East conflict and government approval of foreign participation in government bond futures in late April (**Figure 3B**).

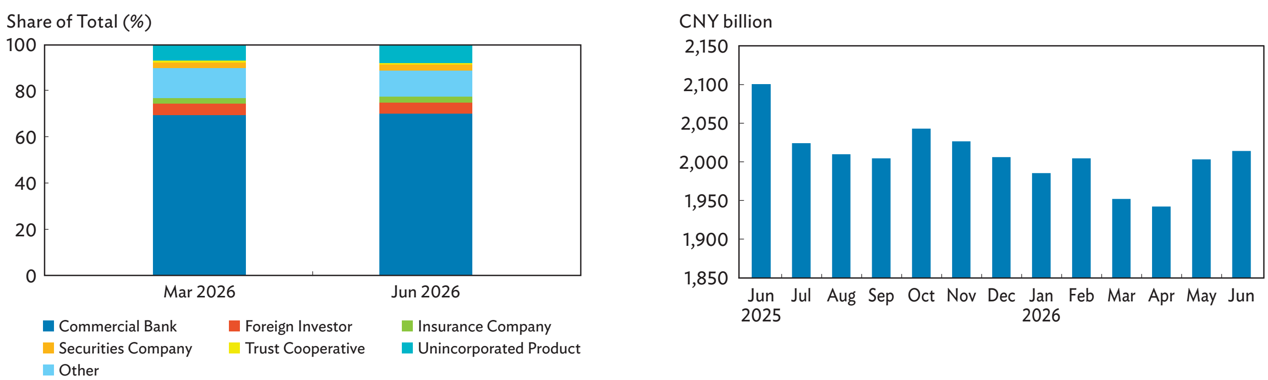
Sustainable Bond Market

The PRC's sustainable bond market contracted 1.9% q-o-q to USD396.5 billion in Q2 as green bonds outstanding fell 2.5% on increased maturities (**Figure 4A**). By sector, the PRC's most active issuers are financial institutions, accounting for 46.5% of total corporate bonds outstanding at the end of June (**Figure 4B**).

Figure 3: Investor Profile of the Treasury Debt Securities Market in the People's Republic of China

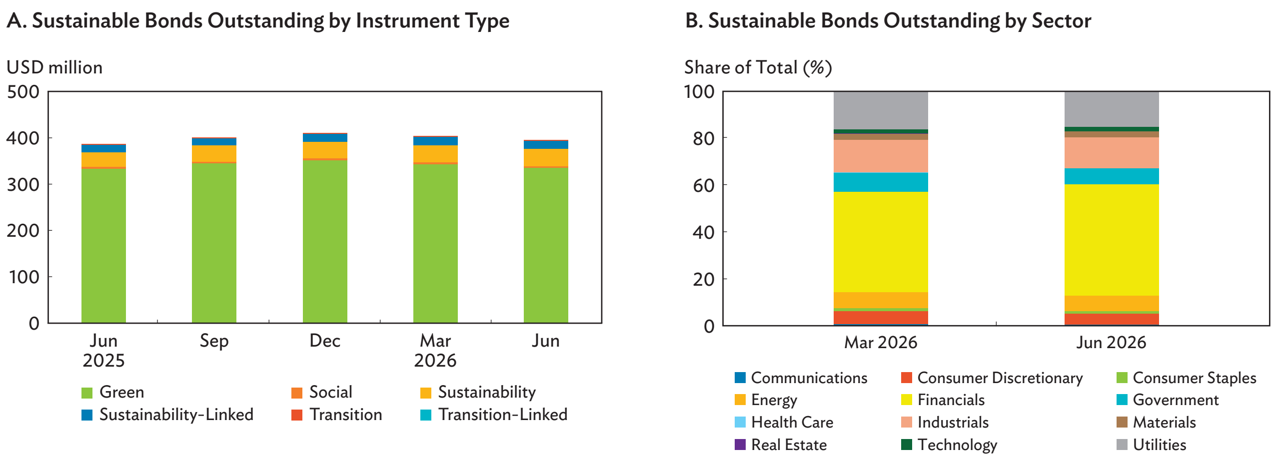
A. Investor Profile by Holder

B. Outstanding Foreign Holdings



CNY = Chinese yuan.
Source: CEIC Data Company.

Figure 4: Sustainable Bond Market in the People's Republic of China



USD = United States dollar.
Note: Bonds are defined as debt securities with maturities longer than 1 year.
Source: *AsianBondsOnline* calculations based on Bloomberg LP data.

Policy and Regulatory Developments

National Development and Reform Commission to Increase Issuance of Local Government Special Bonds

On 31 August, the National Development and Reform Commission announced plans to boost investments in the PRC, including the increased issuance of local government special bonds to finance infrastructure projects.