

Hong Kong, China

The amount of local currency (LCY) bonds outstanding in Hong Kong, China declined in 4Q14, reaching HKD1.5 trillion (US\$194 billion) at end-December. The bond market posted a decline of 0.04% quarter-on-quarter (q-o-q) and 0.2% year-on-year (y-o-y). The q-o-q decline was driven mostly by a decrease in HKSAR bonds, while the y-o-y contraction was due to a decline in corporate bonds outstanding, with corporates increasingly using bank loans rather than bonds for funding.

Table 1: Size and Composition of the LCY Bond Market in Hong Kong, China

	Outstanding Amount (billion)						Growth Rate (%)			
	4Q13		3Q14		4Q14		4Q13		4Q14	
	HKD	US\$	HKD	US\$	HKD	US\$	q-o-q	y-o-y	q-o-q	y-o-y
Total	1,509	195	1,507	194	1,506	194	0.9	9.7	(0.04)	(0.2)
Government	841	108	856	110	849	109	0.4	16.1	(0.8)	0.9
Exchange Fund Bills	683	88	684	88	684	88	0.1	16.0	0.01	0.1
Exchange Fund Notes	68	9	68	9	69	9	(0.4)	(0.9)	0.4	0.9
HKSAR Bonds	90	12	104	13	97	12	3.4	34.3	(6.8)	7.2
Corporate	668	86	651	84	657	85	1.5	2.6	0.9	(1.7)

() = negative, HKSAR = Hong Kong Special Administrative Region, LCY = local currency, q-o-q = quarter-on-quarter, y-o-y = year-on-year.

Notes:

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

Sources: Hong Kong Monetary Authority and Bloomberg LP.

Corporate bond issuance totaled HKD63.1 billion in 4Q14, slightly lower than 3Q14's HKD67.6 billion. Corporate bond issuance remained weak as corporates preferred the better rates on offer from banks.

Table 2: Notable LCY Corporate Bond Issuance in 4Q14

Corporate Issuers	Coupon Rate (%)	Issued Amount (HKD billion)
Yue Xiu Property		
15-year bond	6.10	2.30
Hong Kong Mortgage Corporation		
1-year bond	0.33	0.75
3-year bond	0.32	0.23
CLP Power Hong Kong Financing		
12-year bond	3.25	0.20
15-year bond	3.50	0.15
Swire Properties		
10-year bond	3.10	0.30
Wharf Finance		
10-year bond	3.75	0.19

LCY = local currency.

Source: Central Moneymarkets Unit (CMU) HKMA.

LCY corporate bonds outstanding of the top 30 nonbank corporate bond issuers in Hong Kong, China reached HKD116.5 billion at end-December, accounting for about 18% of the total LCY corporate bond market. The largest issuer remained Hong Kong Mortgage Corporation, with HKD14.6 billion of bonds outstanding.

Table 3: Top 30 Nonbank Issuers of LCY Corporate Bonds in Hong Kong, China

	Issuers	Outstanding Amount		State-Owned	Listed Company	Type of Industry
		LCY Bonds (HKD billion)	LCY Bonds (US\$ billion)			
1.	The Hong Kong Mortgage Corporation	14.60	1.88	Yes	No	Finance
2.	CLP Power Hong Kong Financing	10.00	1.29	No	No	Electric
3.	Sun Hung Kai Properties (Capital Market)	9.91	1.28	No	No	Real Estate
4.	Wharf Finance	6.14	0.79	No	No	Finance
5.	The Link Finance (Cayman) 2009	5.75	0.74	Yes	Yes	Transportation
6.	MTR Corporation (C.I.)	5.75	0.74	No	No	Gas
7.	HKCG (Finance)	5.53	0.71	No	Yes	Diversified
8.	Swire Pacific	7.22	0.93	No	No	Diversified
9.	Hongkong Electric Finance	5.05	0.65	No	Yes	Real Estate
10.	NWD (MTN)	5.01	0.65	No	No	Electric
11.	Cheung Kong Bond Finance	4.60	0.59	Yes	No	Real Estate
12.	Urban Renewal Authority	4.04	0.52	No	No	Diversified
13.	Kowloon-Canton Railway	3.40	0.44	Yes	No	Transportation
14.	Wheelock Finance	3.00	0.39	No	No	Diversified
15.	Yue Xiu Enterprises (Holdings)	2.80	0.36	Yes	No	Transportation
16.	Airport Authority Hong Kong	2.30	0.30	No	Yes	Real Estate
17.	Hysan (MTN)	2.23	0.29	No	No	Finance
18.	Cathay Pacific MTN Financing	4.36	0.56	No	Yes	Real Estate
19.	Emperor International Holdings	1.71	0.22	No	No	Commercial Services
20.	Nan Fung Treasury	1.70	0.22	No	Yes	Airlines
21.	Henderson Land MTN	1.65	0.21	No	Yes	Real Estate
22.	AIA Group	1.40	0.18	No	No	Real Estate
23.	Swire Properties MTN Financing	1.31	0.17	No	No	Real Estate
24.	Dragon Drays	1.20	0.15	No	Yes	Communications
25.	K. Wah International	1.19	0.15	No	Yes	Finance
26.	Citic Limited	1.16	0.15	No	Yes	Insurance
27.	R-Reit International Finance	1.00	0.13	No	Yes	Real Estate
28.	Wing Tai Properties (Finance)	0.92	0.12	No	Yes	Diversified
29.	HLP Finance	0.88	0.11	No	No	Real Estate
30.	The Hongkong Land Notes Company	0.78	0.10	No	No	Real Estate
Total Top 30 Nonbank LCY Corporate Issuers		116.54	15.04			
Total LCY Corporate Bonds		657.18	84.79			
Top 30 as % of Total LCY Corporate Bonds		17.7%	17.7%			

LCY = local currency.

Notes:

1. Data as of end-December 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 Hong Kong Monetary Authority data.