The amount of local currency (LCY) bonds outstanding in Hong Kong, China increased to HKD1.8 trillion (USD236 billion) at the end of December. Total bonds outstanding grew only 0.1% quarter-on-quarter (q-o-q), due to declines in Exchange Fund Notes and Hong Kong Special Administrative Region bonds, and 13.4% year-on-year (y-o-y). Among government bonds, only Exchange Fund Bills showed an increase, rising 0.4% q-o-q and 18.8% y-o-y.

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HKD</td>
<td>USD</td>
<td>HKD</td>
<td>USD</td>
<td>HKD</td>
</tr>
<tr>
<td>Total</td>
<td>1,616</td>
<td>208</td>
<td>1,830</td>
<td>236</td>
<td>1,832</td>
</tr>
<tr>
<td>Government</td>
<td>927</td>
<td>120</td>
<td>1,067</td>
<td>138</td>
<td>1,064</td>
</tr>
<tr>
<td>Exchange Fund Bills</td>
<td>770</td>
<td>99</td>
<td>911</td>
<td>117</td>
<td>915</td>
</tr>
<tr>
<td>Exchange Fund Notes</td>
<td>59</td>
<td>8</td>
<td>51</td>
<td>7</td>
<td>48</td>
</tr>
<tr>
<td>HKSAR Bonds</td>
<td>99</td>
<td>13</td>
<td>105</td>
<td>14</td>
<td>101</td>
</tr>
<tr>
<td>Corporate</td>
<td>689</td>
<td>89</td>
<td>764</td>
<td>98</td>
<td>767</td>
</tr>
</tbody>
</table>

Notes:
1. Calculated using data from national sources.
2. Bloomberg LP end-of-period LCY–USD rates are used.
3. Growth rates are calculated from an LCY base and do not include currency effects.
Sources: Hong Kong Monetary Authority and Bloomberg LP.

Corporate bond issuance totaled HKD85.5 billion in the fourth quarter of 2016, up from HKD67.1 billion in the prior quarter, as companies locked in borrowing rates ahead of expected Federal Reserve rate hikes.

Table 2: Notable Local Currency Corporate Bond Issuance in the Fourth Quarter of 2016

<table>
<thead>
<tr>
<th>Corporate Issuers</th>
<th>Coupon Rate (%)</th>
<th>Issued Amount (HKD billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hong Kong Mortgage Corporation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2-year bond</td>
<td>1.00</td>
<td>0.10</td>
</tr>
<tr>
<td>3-year bond</td>
<td>1.60</td>
<td>0.35</td>
</tr>
<tr>
<td>Swire Pacific MTN Financing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5-year bond</td>
<td>1.98</td>
<td>0.45</td>
</tr>
<tr>
<td>Hong Kong Interbank Clearing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3-year bond</td>
<td>1.45</td>
<td>0.20</td>
</tr>
<tr>
<td>5-year bond</td>
<td>1.85</td>
<td>0.20</td>
</tr>
</tbody>
</table>

HKD = Hong Kong dollar, MTN = medium-term note.
Source: Central Moneymarkets Unit, Hong Kong Monetary Authority.
LCY corporate bonds outstanding among the top 30 nonbank corporate bond issuers in Hong Kong, China reached HKD136.3 billion at the end of December, accounting for about 17.8% of the total LCY corporate bond market. The largest issuer remained Hong Kong Mortgage Corporation, with HKD24.0 billion of bonds outstanding.

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

<table>
<thead>
<tr>
<th>Issuers</th>
<th>Outstanding Amount</th>
<th>State-Owned</th>
<th>Listed Company</th>
<th>Type of Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The Hong Kong Mortgage Corporation</td>
<td>24.04</td>
<td>Yes</td>
<td>No</td>
<td>Finance</td>
</tr>
<tr>
<td>2. Sun Hung Kai Properties (Capital Market)</td>
<td>9.35</td>
<td>No</td>
<td>No</td>
<td>Real Estate</td>
</tr>
<tr>
<td>3. Swire Pacific MTN Financing</td>
<td>8.62</td>
<td>No</td>
<td>Yes</td>
<td>Diversified</td>
</tr>
<tr>
<td>4. The Link Finance (Cayman) 2009</td>
<td>8.09</td>
<td>No</td>
<td>No</td>
<td>Finance</td>
</tr>
<tr>
<td>5. CLP Power Hong Kong Financing</td>
<td>7.81</td>
<td>No</td>
<td>No</td>
<td>Finance</td>
</tr>
<tr>
<td>6. HKCG (Finance)</td>
<td>7.80</td>
<td>No</td>
<td>No</td>
<td>Finance</td>
</tr>
<tr>
<td>7. Hongkong Electric Finance</td>
<td>7.69</td>
<td>No</td>
<td>No</td>
<td>Finance</td>
</tr>
<tr>
<td>8. MTR Corporation (C.I.)</td>
<td>7.02</td>
<td>Yes</td>
<td>Yes</td>
<td>Transportation</td>
</tr>
<tr>
<td>9. Wharf Finance</td>
<td>5.70</td>
<td>No</td>
<td>No</td>
<td>Finance</td>
</tr>
<tr>
<td>10. NW (MTN)</td>
<td>5.50</td>
<td>No</td>
<td>Yes</td>
<td>Finance</td>
</tr>
<tr>
<td>11. Swire Properties MTN Financing</td>
<td>4.34</td>
<td>No</td>
<td>No</td>
<td>Finance</td>
</tr>
<tr>
<td>12. Vanke Real Estate (Hong Kong)</td>
<td>3.65</td>
<td>No</td>
<td>No</td>
<td>Real Estate</td>
</tr>
<tr>
<td>13. Wheelock Finance</td>
<td>3.60</td>
<td>No</td>
<td>No</td>
<td>Finance</td>
</tr>
<tr>
<td>14. Kowloon-Canton Railway</td>
<td>3.40</td>
<td>Yes</td>
<td>No</td>
<td>Transportation</td>
</tr>
<tr>
<td>15. Urban Renewal Authority</td>
<td>3.30</td>
<td>Yes</td>
<td>No</td>
<td>Real Estate</td>
</tr>
<tr>
<td>16. Emperor International Holdings</td>
<td>2.75</td>
<td>No</td>
<td>Yes</td>
<td>Real Estate</td>
</tr>
<tr>
<td>17. Cathay Pacific MTN Financing</td>
<td>2.70</td>
<td>No</td>
<td>Yes</td>
<td>Finance</td>
</tr>
<tr>
<td>18. Leading Affluence</td>
<td>2.30</td>
<td>No</td>
<td>No</td>
<td>Real Estate</td>
</tr>
<tr>
<td>19. Tencent Holdings</td>
<td>2.20</td>
<td>No</td>
<td>Yes</td>
<td>Communications</td>
</tr>
<tr>
<td>20. Bohai International Capital</td>
<td>2.00</td>
<td>No</td>
<td>No</td>
<td>Iron and Steel</td>
</tr>
<tr>
<td>21. China Energy Reserve and Chemicals Group</td>
<td>2.00</td>
<td>No</td>
<td>No</td>
<td>Oil</td>
</tr>
<tr>
<td>22. Hong Kong Science and Technology Parks</td>
<td>1.71</td>
<td>Yes</td>
<td>No</td>
<td>Real Estate</td>
</tr>
<tr>
<td>23. Value Success International</td>
<td>1.55</td>
<td>No</td>
<td>No</td>
<td>Finance</td>
</tr>
<tr>
<td>24. Chueng Kong Finance (MTN)</td>
<td>1.50</td>
<td>No</td>
<td>No</td>
<td>Finance</td>
</tr>
<tr>
<td>25. Airport Authority Hong Kong</td>
<td>1.45</td>
<td>Yes</td>
<td>No</td>
<td>Transportation</td>
</tr>
<tr>
<td>26. Hysan (MTN)</td>
<td>1.40</td>
<td>No</td>
<td>Yes</td>
<td>Real Estate</td>
</tr>
<tr>
<td>27. Wharf Finance (No. 1)</td>
<td>1.33</td>
<td>No</td>
<td>No</td>
<td>Finance</td>
</tr>
<tr>
<td>28. Nan Fung Treasury</td>
<td>1.31</td>
<td>No</td>
<td>No</td>
<td>Finance</td>
</tr>
<tr>
<td>29. Henderson Land MTN</td>
<td>1.19</td>
<td>No</td>
<td>Yes</td>
<td>Finance</td>
</tr>
<tr>
<td>30. Cheung Kong Bond Securities (02)</td>
<td>1.00</td>
<td>No</td>
<td>No</td>
<td>Finance</td>
</tr>
</tbody>
</table>

Total Top 30 Nonbank LCY Corporate Issuers 136.26 17.57
Total LCY Corporate Bonds 767.48 98.95
Top 30 as % of Total LCY Corporate Bonds 17.8% 17.8%

HKD = Hong Kong dollar, LCY = local currency, USD = United States dollar.
Notes:
1. Data as of end-December 2016.
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.