

Hong Kong, China

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

	Outstanding Amount (billion)						Growth Rate (%)			
	Q4 2015		Q3 2016		Q4 2016		Q4 2015		Q4 2016	
	HKD	USD	HKD	USD	HKD	USD	q-o-q	y-o-y	q-o-q	y-o-y
Total	1,616	208	1,830	236	1,832	236	4.2	7.3	0.1	13.4
Government	927	120	1,067	138	1,064	137	5.8	9.2	(0.3)	14.8
Exchange Fund Bills	770	99	911	117	915	118	8.2	12.6	0.4	18.8
Exchange Fund Notes	59	8	51	7	48	6	(4.9)	(14.7)	(5.9)	(17.7)
HKSAR Bonds	99	13	105	14	101	13	(4.2)	2.5	(3.8)	2.4
Corporate	689	89	764	98	767	99	2.0	4.8	0.5	11.5

() = negative, HKD = Hong Kong dollar, HKSAR = Hong Kong Special Administrative Region, LCY = local currency, q-o-q = quarter-on-quarter, Q3 = third quarter, Q4 = fourth quarter, USD = United States dollar, y-o-y = year-on-year.

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

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

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

	Issuers	Outstanding Amount		State-Owned	Listed Company	Type of Industry
		LCY Bonds (HKD billion)	LCY Bonds (USD billion)			
1.	The Hong Kong Mortgage Corporation	24.04	3.10	Yes	No	Finance
2.	Sun Hung Kai Properties (Capital Market)	9.35	1.21	No	No	Real Estate
3.	Swire Pacific MTN Financing	8.62	1.11	No	Yes	Diversified
4.	The Link Finance (Cayman) 2009	8.09	1.04	No	No	Finance
5.	CLP Power Hong Kong Financing	7.81	1.01	No	No	Finance
6.	HKCG (Finance)	7.80	1.01	No	No	Finance
7.	Hongkong Electric Finance	7.69	0.99	No	No	Finance
8.	MTR Corporation (C.I.)	7.02	0.91	Yes	Yes	Transportation
9.	Wharf Finance	5.70	0.73	No	No	Finance
10.	NWD (MTN)	5.50	0.71	No	Yes	Finance
11.	Swire Properties MTN Financing	4.34	0.56	No	No	Finance
12.	Vanke Real Estate (Hong Kong)	3.65	0.47	No	No	Real Estate
13.	Wheelock Finance	3.60	0.46	No	No	Finance
14.	Kowloon-Canton Railway	3.40	0.44	Yes	No	Transportation
15.	Urban Renewal Authority	3.30	0.43	Yes	No	Real Estate
16.	Emperor International Holdings	2.75	0.35	No	Yes	Real Estate
17.	Cathay Pacific MTN Financing	2.70	0.35	No	Yes	Finance
18.	Leading Affluence	2.30	0.30	No	No	Real Estate
19.	Tencent Holdings	2.20	0.28	No	Yes	Communications
20.	Bohai International Capital	2.00	0.26	No	No	Iron and Steel
21.	China Energy Reserve and Chemicals Group Overseas	2.00	0.26	No	No	Oil
22.	Hong Kong Science and Technology Parks	1.71	0.22	Yes	No	Real Estate
23.	Value Success International	1.55	0.20	No	No	Finance
24.	Chueng Kong Finance (MTN)	1.50	0.19	No	No	Finance
25.	Airport Authority Hong Kong	1.45	0.19	Yes	No	Transportation
26.	Hysan (MTN)	1.40	0.18	No	Yes	Real Estate
27.	Wharf Finance (No. 1)	1.33	0.17	No	No	Finance
28.	Nan Fung Treasury	1.31	0.17	No	No	Finance
29.	Henderson Land MTN	1.19	0.15	No	Yes	Finance
30.	Cheung Kong Bond Securities (02)	1.00	0.13	No	No	Finance
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.