

## Hong Kong, China

Local currency (LCY) bonds outstanding in Hong Kong, China grew 1.1% quarter-on-quarter (q-o-q) in the fourth quarter (Q4) of 2017, reaching HKD1,905 billion (USD244 billion) at the end of December. The minimal growth was the result of a decline in corporate bonds. On a year-on-year (y-o-y) basis, LCY bonds grew only 4.0% in Q4 2017, which was slowed by a relatively large decline in Exchange Fund Notes of 21.6% y-o-y.

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

	Outstanding Amount (billion)						Growth Rate (%)			
	Q4 2016		Q3 2017		Q4 2017		Q4 2016		Q4 2017	
	HKD	USD	HKD	USD	HKD	USD	q-o-q	y-o-y	q-o-q	y-o-y
Total	1,832	236	1,885	241	1,905	244	0.1	13.4	1.1	4.0
Government	1,064	137	1,116	143	1,153	148	(0.3)	14.8	3.3	8.4
Exchange Fund Bills	915	118	974	125	1,011	129	0.4	18.8	3.8	10.5
Exchange Fund Notes	48	6	41	5	38	5	(5.9)	(17.7)	(7.4)	(21.6)
HKSAR Bonds	101	13	101	13	105	13	(3.8)	2.4	3.4	3.5
Corporate	767	99	769	98	752	96	0.5	11.5	(2.2)	(2.0)

( ) = 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 HKD71.5 billion in Q4 2017, up from HKD69.8 billion in the previous quarter. The top new corporate issuer for the quarter was HKCG Finance, which issued HKD0.6 billion worth of 10-year bonds in November.

Table 2: Notable Local Currency Corporate Bond Issuance in the Fourth Quarter of 2017

Corporate Issuers	Coupon Rate (%)	Issued Amount (HKD billion)
Dah Sing Bank		
3-year bond	2.20	0.39
3-year bond	1.98	0.10
2-year bond	1.62	0.20
HKCG (Finance)		
10-year bond	2.84	0.60
Fubon Bank Hong Kong		
2-year bond	1.95	0.20
Industrial and Commercial Bank of China (Asia)		
1-year bond	1.80	0.20
China Strategic Holdings		
1-year bond	10.00	0.18

HKD = Hong Kong dollar.

Source: Bloomberg LP.

LCY corporate bonds outstanding among the top 30 nonbank corporate bond issuers in Hong Kong, China reached HKD158.9 billion at the end of December, accounting for 21.1% of the total LCY corporate bond stock. The top 30 mostly comprised issuers from the financial services industry, led by Hong Kong Mortgage Corporation with HKD19.3 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	19.33	2.47	Yes	No	Finance
2.	Sun Hung Kai Properties (Capital Market)	12.40	1.59	No	No	Real Estate
3.	MTR Corporation (C.I.)	11.16	1.43	Yes	Yes	Transportation
4.	HKCG (Finance)	11.04	1.41	No	No	Finance
5.	Swire Pacific	8.92	1.14	No	Yes	Diversified
6.	NWD (MTN)	8.57	1.10	No	Yes	Finance
7.	The Link Finance (Cayman) 2009	8.53	1.09	No	No	Finance
8.	Hong Kong Land	7.79	1.00	No	Yes	Real Estate
9.	CLP Power Hong Kong Financing	7.46	0.95	No	No	Finance
10.	Wharf Finance	6.46	0.83	No	No	Finance
11.	Urban Renewal Authority	6.05	0.77	Yes	No	Real Estate
12.	Swire Properties MTN Financing	5.93	0.76	No	No	Finance
13.	Hongkong Electric Finance	5.84	0.75	No	No	Finance
14.	CK Property Finance (MTN)	4.20	0.54	No	No	Finance
15.	Green Leader Holdings	3.55	0.45	No	No	Finance
16.	Sinocop Resources	2.91	0.37	No	Yes	Industrial
17.	Active Way Development	2.55	0.33	No	Yes	Finance
18.	FDG Electric Vehicles	2.49	0.32	No	Yes	Energy
19.	Leading Affluence	2.40	0.31	No	No	Real Estate
20.	The 13	2.26	0.29	No	Yes	Industrial
21.	Cosway (HK)	2.19	0.28	No	Yes	Consumer
22.	Bohai International Capital	2.10	0.27	No	No	Iron and Steel
23.	China Energy Reserve and Chemicals Group Overseas	2.00	0.26	No	No	Oil
24.	Cathay Pacific MTN Financing	1.98	0.25	No	Yes	Finance
25.	Hysan (MTN)	1.97	0.25	No	Yes	Real Estate
26.	Rexlot Holdings	1.90	0.24	No	Yes	Consumer - Casino
27.	Wheelock Finance	1.90	0.24	No	No	Finance
28.	Good Resources Holdings	1.84	0.24	No	Yes	Finance
29.	Panda Green	1.65	0.21	No	Yes	Energy
30.	Wharf Finance (No. 1)	1.57	0.20	No	No	Finance
<b>Total Top 30 Nonbank LCY Corporate Issuers</b>		<b>158.92</b>	<b>20.34</b>			
<b>Total LCY Corporate Bonds</b>		<b>751.90</b>	<b>96.23</b>			
<b>Top 30 as % of Total LCY Corporate Bonds</b>		<b>21.14%</b>	<b>21.14%</b>			

HKD = Hong Kong dollar, LCY = local currency, USD = United States dollar.

Notes:

1. Data as of end-December 2017.

2. State-owned firms are defined as those in which the government has more than a 50% ownership stake.

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