

Hong Kong, China

Local currency (LCY) bonds outstanding in Hong Kong, China amounted to HKD1,950 billion (USD249 billion) at the end of the fourth quarter (Q4) of 2018, growing 1.8% quarter-on-quarter (q-o-q) and 2.3% year-on-year, driven by growth in both corporate and government bond segments. Corporate bonds grew 2.7% q-o-q and 3.7% y-o-y. Government bonds marginally grew 1.2% q-o-q and 1.3% y-o-y, mainly due to a decline of 5.3% q-o-q and 14.8% y-o-y in Exchange Fund Notes which more than offset growth in Hong Kong Special Administrative Region Bonds and Exchange Fund Bills.

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

	Outstanding Amount (billion)						Growth Rate (%)			
	Q4 2017		Q3 2018		Q4 2018		Q4 2017		Q4 2018	
	HKD	USD	HKD	USD	HKD	USD	q-o-q	y-o-y	q-o-q	y-o-y
Total	1,907	244	1,915	245	1,950	249	1.1	4.1	1.8	2.3
Government	1,153	148	1,154	147	1,169	149	3.3	8.4	1.2	1.3
Exchange Fund Bills	1,011	129	1,024	131	1,031	132	3.8	10.5	0.6	2.0
Exchange Fund Notes	38	5	34	4	32	4	(7.4)	(21.6)	(5.3)	(14.8)
HKSAR Bonds	105	13	96	12	106	14	3.4	3.5	9.8	1.0
Corporate	754	96	761	97	782	100	(2.2)	(1.8)	2.7	3.7

(-) = 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.

Source: Hong Kong Monetary Authority.

Among the top nonbank corporate issuers in Q4 2018, state-owned Hong Kong Mortgage Corporation remained the leader with aggregate issuance of HKD3.1 billion from 10 issuances, the largest of which was a zero-coupon, 3-month bond worth HKD800 million. Hong Kong Land, a real estate company, was next with three issuances, the largest of which was a 15-year bond worth HKD700 million and carrying a 4.12% coupon. Other top issuers were South Sea Petroleum Holdings (energy), Sun Hung Kai & Co. (finance), and Hysan Development (real estate), each with one long-term bond issuance during the quarter.

Table 2: Notable Local Currency Corporate Bond Issuance in the Fourth Quarter of 2018

Corporate Issuers	Coupon Rate (%)	Issued Amount (HKD billion)
Hong Kong Mortgage Corporation		
3-month bond	1.90	0.80
3-month bond	0.00	0.66
6-month bond	0.00	0.35
6-month bond	0.00	0.30
Hong Kong Land		
10-year bond	3.75	0.36
10-year bond	3.83	0.45
15-year bond	4.12	0.70
South Sea Petroleum Holdings		
9.4-year bond	0.00	0.60
Sun Hung Kai & Co.		
10-year bond	3.88	0.51
Hysan Development		
7-year bond	3.66	0.30

HKD = Hong Kong dollar.
Source: Bloomberg LP.

The amount of LCY bonds outstanding of the top 30 nonbank corporations reached HKD203.3 billion at the end of December, accounting for 26% of the total corporate bond market. State-owned Hong Kong Mortgage Corporation, the leading issuer since the beginning of the year, remained in the top spot with outstanding bonds of HKD28.8 billion. Sun Hung Kai & Co. was a distant second with outstanding bonds of HKD14.3 billion, followed by MTR Corporation, another government-owned company, at HKD12.2 billion. Real estate and financing firms dominated the top 30 list in Q4 2018. Two-thirds of the firms on top 30 are listed on the Hong Kong Stock Exchange and four are state-owned corporations.

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.	Hong Kong Mortgage Corporation	28.8	3.7	Yes	No	Finance
2.	Sun Hung Kai & Co.	14.3	1.8	No	Yes	Finance
3.	MTR Corporation	12.2	1.6	Yes	Yes	Transportation
4.	The Hong Kong and China Gas	11.6	1.5	No	Yes	Utilities
5.	Hong Kong Land	11.2	1.4	No	No	Real Estate
6.	Haitong International Securities	9.9	1.3	No	Yes	Finance
7.	New World Development	9.4	1.2	No	Yes	Diversified
8.	CLP Power Hong Kong Financing	8.8	1.1	No	No	Finance
9.	The Wharf (Holdings)	8.6	1.1	No	Yes	Finance
10.	Swire Pacific	7.6	1.0	No	Yes	Diversified
11.	Henderson Land Development	7.5	1.0	No	No	Real Estate
12.	Link Holdings	7.4	1.0	No	No	Finance
13.	CK Asset Holdings	6.2	0.8	No	Yes	Real Estate
14.	Swire Properties	5.9	0.8	No	Yes	Real Estate
15.	Hongkong Electric	5.8	0.7	No	No	Utilities
16.	China Merchants Port Holdings	5.7	0.7	No	Yes	Transportation
17.	Hang Lung Properties	4.6	0.6	No	Yes	Real Estate
18.	AIA Group	3.9	0.5	No	Yes	Insurance
19.	IFC Development Corporation	3.5	0.4	No	No	Finance
20.	Kowloon-Canton Railway	3.4	0.4	Yes	No	Transportation
21.	LT Commercial Real Estate	3.0	0.4	No	Yes	Real Estate
22.	Urban Renewal Authority	2.8	0.4	Yes	No	Real Estate
23.	Emperor International Holdings	2.6	0.3	No	Yes	Real Estate
24.	Wharf Real Estate Investment	2.6	0.3	No	Yes	Real Estate
25.	Champion REIT	2.5	0.3	No	Yes	Real Estate
26.	Hysan Development	2.5	0.3	No	Yes	Real Estate
27.	China Dynamics (Holdings)	2.4	0.3	No	Yes	Diversified
28.	ASM Pacific Technology	2.3	0.3	No	Yes	Technology
29.	The 13 Holdings	2.2	0.3	No	Yes	Industrial
30.	CK Hutchison Holdings	2.0	0.3	No	Yes	Diversified
30.	Gluon Xima International	2.0	0.3	No	No	Real Estate
Total Top 30 Nonbank LCY Corporate Issuers		203.3	26.0			
Total LCY Corporate Bonds		781.8	99.8			
Top 30 as % of Total LCY Corporate Bonds		26.0%	26.0%			

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

Notes:

1. Data as of end-December 2018.

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.