

## Hong Kong, China

The outstanding stock of local currency (LCY) bonds in Hong Kong, China amounted to HKD2,266.0 billion (USD290.8 billion) at the end of the fourth quarter (Q4) of 2019, rising 0.07% quarter-on-quarter (q-o-q) and 1.8% year-on-year. The weak q-o-q growth was largely due to a 0.9% contraction in corporate bonds, which weighed on the 1.0% growth in government bonds. In the government bond segment, the 6.3% q-o-q decline in Exchange Fund Notes nearly offset the 6.9% q-o-q growth in Hong Kong Special Administrative Region bonds and the 0.7% q-o-q rise in Exchange Fund Bills.

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

	Outstanding Amount (billion)						Growth Rate (%)			
	Q4 2018		Q3 2019		Q4 2019		Q4 2018		Q4 2019	
	HKD	USD	HKD	USD	HKD	USD	q-o-q	y-o-y	q-o-q	y-o-y
<b>Total</b>	2,225	284	2,264	289	2,266	291	2.4	16.7	0.07	1.8
Government	1,169	149	1,170	149	1,182	152	1.2	1.3	1.0	1.2
Exchange Fund Bills	1,031	132	1,048	134	1,055	135	0.6	2.0	0.7	2.4
Exchange Fund Notes	32	4	28	4	27	3	(5.3)	(14.8)	(6.3)	(17.4)
HKSAR Bonds	106	14	94	12	100	13	9.8	1.0	6.9	(5.4)
Corporate	1,056	135	1,094	140	1,084	139	3.7	40.2	(0.9)	2.6

(-) = 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 2019, New World Development—a diversified company—was the largest issuer with the single issuance of a 30-year bond carrying a 4.89% coupon. Hong Kong Mortgage Corporation was the second-largest issuer, with a dual-tranche issuance amounting to HKD1.2 billion. The quarter saw several other issuances of long-dated bonds. Aside from New World Development, the Hong Kong and China Gas Company and Hong Kong Electric also issued 30-year tenor bonds. The Hong Kong and China Gas Company raised a total of USD0.9 billion from two tranches of 30-year bonds, both carrying a 2.94% coupon, while Hong Kong Electric sold a HKD0.5 billion 30-year bond with a 2.99% coupon.

Table 2: Notable Local Currency Corporate Bond Issuance in the Fourth Quarter of 2019

Corporate Issuers	Coupon Rate (%)	Issued Amount (HKD million)	Corporate Issuers	Coupon Rate (%)	Issued Amount (HKD million)
New World Development			Cathay Pacific		
30-year bond	4.89	1,500	3-year bond	3.38	800
Hong Kong Mortgage Corporation			Hong Kong Land		
0.5-year bond	1.96	770	10-year bond	2.93	550
1-year bond	1.88	400	Wharf Real Estate Investment		
The Hong Kong and China Gas Company			7-year bond	2.46	514
30-year bond	2.94	398	Hong Kong Electric		
30-year bond	2.94	460	30-year bond	2.99	500

HKD = Hong Kong dollar.  
Source: Bloomberg LP.

The outstanding bonds of the top 30 nonbank corporate issuers in Hong Kong, China amounted to HKD213.0 billion at the end of Q4 2019, accounting for 19.7% of the total LCY corporate bond market. Government-owned Hong Kong Mortgage Corporation remained the top issuer, with outstanding bonds amounting to HKD28.9 billion. Sun Hung Kai & Co. was the second-largest issuer, with HKD16.7 billion of bonds outstanding. Link Holdings, MTR Corporation, and the Hong Kong and China Gas Company followed, with outstanding bonds of at least HKD12.0 billion each. Of the top 30, only 3 were state-owned. Two-thirds were listed companies on the Hong Kong Stock Exchange. Finance and real estate companies dominated the top 30 list in Q4 2019.

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	28.9	3.7	Yes	No	Finance
2.	Sun Hung Kai & Co.	16.7	2.1	No	Yes	Finance
3.	Link Holdings	12.2	1.6	No	No	Finance
4.	MTR Corporation	12.1	1.6	Yes	Yes	Transportation
5.	The Hong Kong and China Gas Company	12.0	1.5	No	Yes	Utilities
6.	New World Development	11.7	1.5	No	Yes	Diversified
7.	Hong Kong Land	11.0	1.4	No	No	Real Estate
8.	Swire Pacific	9.4	1.2	No	Yes	Diversified
9.	Henderson Land Development	8.8	1.1	No	No	Real Estate
10.	CLP Power Hong Kong Financing	7.7	1.0	No	No	Finance
11.	Smart Edge	6.8	0.9	No	No	Finance
12.	The Wharf (Holdings)	6.7	0.9	No	Yes	Finance
13.	AIA Group Ltd	6.3	0.8	No	Yes	Insurance
14.	CK Asset Holdings	6.2	0.8	No	Yes	Real Estate
15.	Hongkong Electric	6.0	0.8	No	No	Utilities
16.	Swire Properties	5.6	0.7	No	Yes	Diversified
17.	Future Days	5.5	0.7	No	No	Transportation
18.	Hang Lung Properties	4.6	0.6	No	Yes	Real Estate
19.	Hysan Development Company	4.4	0.6	No	Yes	Real Estate
20.	IFC Development	3.5	0.4	No	No	Finance
21.	Haitong International Securities Group	3.2	0.4	No	Yes	Finance
22.	Wharf Real Estate Investment	3.1	0.4	No	Yes	Real Estate
23.	Lerthai Group	3.0	0.4	No	Yes	Real Estate
24.	Emperor International Holdings	3.0	0.4	No	Yes	Real Estate
25.	Guotai Junan Holdings	3.0	0.4	No	Yes	Finance
26.	Champion REIT	2.5	0.3	No	Yes	Real Estate
27.	China Dynamics Holdings	2.4	0.3	No	Yes	Automotive
28.	Urban Renewal Authority	2.3	0.3	Yes	No	Real Estate
29.	South Shore Holdings	2.2	0.3	No	Yes	Industrial
30.	Emperor Capital Group	2.2	0.3	No	Yes	Finance
<b>Total Top 30 Nonbank LCY Corporate Issuers</b>		<b>213.0</b>	<b>27.3</b>			
<b>Total LCY Corporate Bonds</b>		<b>1,083.8</b>	<b>139.1</b>			
<b>Top 30 as % of Total LCY Corporate Bonds</b>		<b>19.7%</b>	<b>19.7%</b>			

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

Notes:

1. Data as of 31 December 2019.

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.