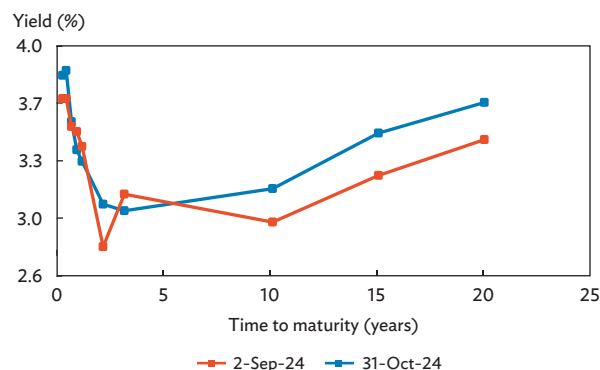


# Hong Kong, China

## Yield Movements

Between 2 September and 31 October, local currency (LCY) government bond yields in Hong Kong, China were mostly up amid domestic and external policy developments. Bond yields rose at both the short and long ends of the curve but fell for a few short-term maturities (Figure 1). On average, LCY government bond yields rose by 10 basis points across all maturities. Yields rose at the short end of the curve (1-month, 3-month, and 6-month bonds) as the announcement of fiscal stimulus measures and monetary easing in the People’s Republic of China fueled demand for equities and lowered demand for short-term bonds. Meanwhile, yields for 9-month, 1-year, and 3-year bonds fell, driven by monetary policy easing in the United States (US) and the subsequent reduction of the base rate by the Hong Kong Monetary Authority. Yields of bonds with maturities of 10 years and longer edged up, following trends in US Treasury yields. The prospect of an increased supply of longer-term bonds, as the Government of the Hong Kong Special Administrative Region (HKSAR) of the People’s Republic of China develops its infrastructure and sustainable bond programs, may have also contributed to the uptick in longer-term bond yields.

**Figure 1: Hong Kong, China’s Benchmark Yield Curve—Local Currency Government Bonds**

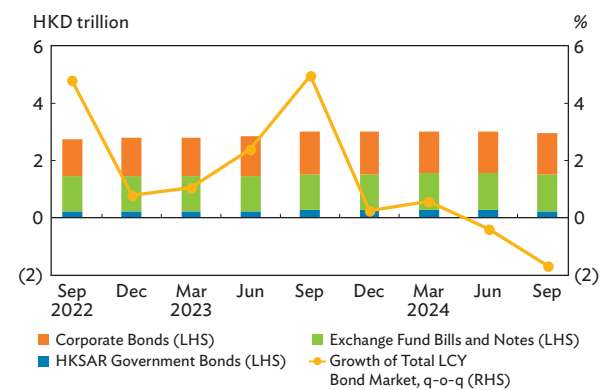


Source: Based on data from Bloomberg LP.

## Local Currency Bond Market Size and Issuance

Hong Kong, China’s LCY bond market contracted 1.7% quarter-on-quarter (q-o-q) in the third quarter (Q3) of 2024 due to maturities in HKSAR government bonds and a decline in corporate bonds. Total LCY bonds outstanding inched down to HKD2,983.1 billion at the end of September from HKD3,033.6 billion at the end of June (Figure 2). Outstanding HKSAR bonds declined 14.2% q-o-q as HKD37.9 billion worth of bonds matured. Corporate bonds outstanding fell 1.8% q-o-q as issuance continued to decline amid uncertainties. Meanwhile, the stock of Exchange Fund Bills and Notes (EFBNs) posted a modest expansion of 1.0% q-o-q. Corporate bonds (HKD1,466.4 billion) accounted for almost half of the LCY bond market at the end of September. EFBNs (HKD1,294.7 billion) and HKSAR bonds (HKD222.1 billion) represented the remaining 43.4% and 7.4% shares, respectively.

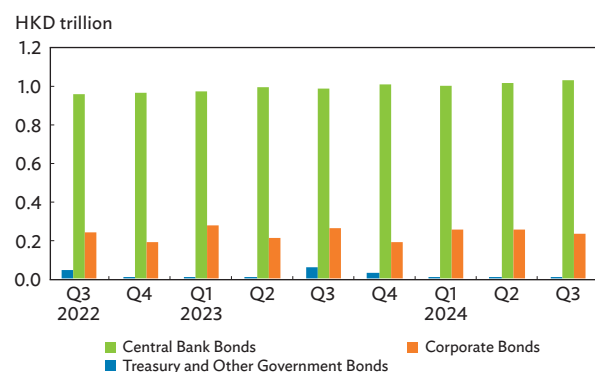
**Figure 2: Composition of Local Currency Bonds Outstanding in Hong Kong, China**



( ) = negative, HKD = Hong Kong dollar, HKSAR = Hong Kong Special Administrative Region, LCY = local currency, LHS = left-hand side, q-o-q = quarter-on-quarter, RHS = right-hand side.  
Source: Hong Kong Monetary Authority.

**LCY bond sales inched down 0.1% q-o-q in Q3 2024 amid a fall in issuance of corporate bonds.** LCY bond issuance tallied HKD1,273.6 billion in Q3 2024 (Figure 3). Corporate bond sales continued to contract, falling 7.4% q-o-q in Q3 2024 as geopolitical tensions and interest rate uncertainties dampened investor confidence. Hong Kong Mortgage Corporation remained the top nonbank corporate issuer in Q3 2024, with total bond sales worth HKD16.5 billion, representing 40.8% of total nonbank issuance during the quarter. Meanwhile, issuance of EFBNs ticked up 1.7% q-o-q to HKD1,034.5 billion in Q3 2024. HKSAR government bond sales were steady at HK1.5 billion in both the second and third quarters of 2024, amid the transition from the existing Government Bond Programme to the new Government Sustainable Bond Programme and Infrastructure Bond Programme.

**Figure 3: Composition of Local Currency Bond Issuance in Hong Kong, China**

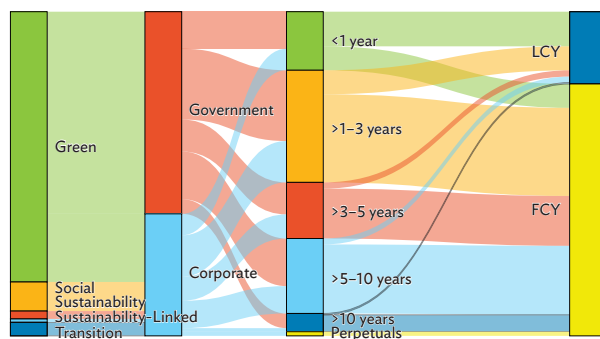


HKD = Hong Kong dollar, Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter.  
Source: Hong Kong Monetary Authority.

## Sustainable Bond Market

**Green bond instruments issued by the public sector continued to comprise a majority of Hong Kong, China’s sustainable bond market.** The sustainable bond market reached a size of USD46.6 billion at the end of Q3 2024, up 11.6% q-o-q on robust issuance. Green bonds were the predominant type of sustainable instrument, comprising an 83.4% share of the sustainable bond market, followed by social bonds (9.0%) and transition bonds (4.2%) (Figure 4). Government-issued sustainable bonds were all in the form of green bonds, totaling USD29.1 billion. Outstanding sustainable bonds were largely short- to medium-term instruments: the size-weighted average tenor of outstanding instruments was 4.6 years and about 70.0% of outstanding sustainable bonds had remaining maturities of up to 5 years. Among emerging East Asian markets, Hong Kong, China’s sustainable bond market had one of the highest shares of foreign-currency-denominated bonds.<sup>13</sup> About 77.7% of outstanding sustainable bonds in Hong Kong, China were denominated in foreign currencies, as the government issues multicurrency green bonds to promote sustainable finance and strengthen its position as a sustainable finance hub. In Q3 2024, the Government of the Hong Kong Special Administrative Region of the People’s Republic of China issued the equivalent of USD3.2 billion of green bonds denominated in US dollars, Chinese yuan, and euros.

**Figure 4: Market Profile of Outstanding Sustainable Bonds in Hong Kong, China at the End of September 2024**



FCY = foreign currency, LCY = local currency.  
Source: AsianBondsOnline calculations based on Bloomberg LP data.

<sup>13</sup> Emerging East Asia is defined to include member states of the Association of Southeast Asian Nations (ASEAN) plus the People’s Republic of China; Hong Kong, China; and the Republic of Korea.