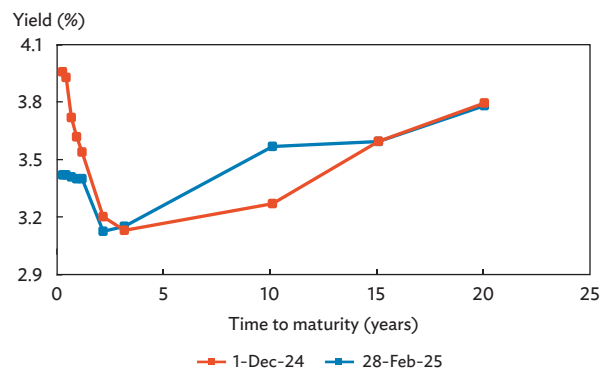


Hong Kong, China

Yield Movements

Between 1 December 2024 and 28 February 2025, local currency (LCY) government bond yields in Hong Kong, China fell for most tenors. LCY government bond yields in Hong Kong, China fell for all maturities except the 3-year and 10-year bonds (Figure 1). The decline in LCY government bond yields largely tracked movements in United States Treasury yields, which fell on weaker economic data released in the latter half of February. Meanwhile, an increased supply of 3-year and 10-year government bonds from issuances under the Infrastructure Bond Programme in January and February drove yield hikes for the 3-year and 10-year bonds.

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

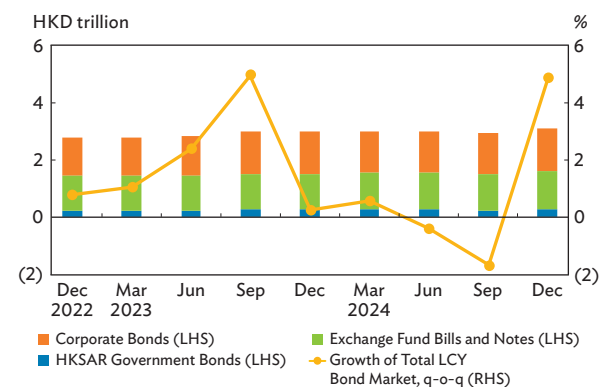


Source: Based on data from Bloomberg LP.

Local Currency Bond Market Size and Issuance

Hong Kong, China’s LCY bond market rebounded in the fourth quarter (Q4) of 2024, supported by the robust growth of Hong Kong Special Administrative Region (HKSAR) government bonds. Outstanding LCY bonds reached HKD3.1 trillion at the end of December, expanding 4.9% quarter-on-quarter (q-o-q) in Q4 2024 after contracting 1.7% q-o-q in the previous quarter (Figure 2). Growth was led by a rebound in HKSAR government bonds, which rose 36.6% q-o-q in Q4 2024 due to a resurgence in issuance under the newly established Infrastructure Bond Programme. Expansions in outstanding corporate bonds and Exchange Fund Bills and Notes, which inched up 3.5% q-o-q and 0.9% q-o-q, respectively, also contributed to the overall market growth.

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

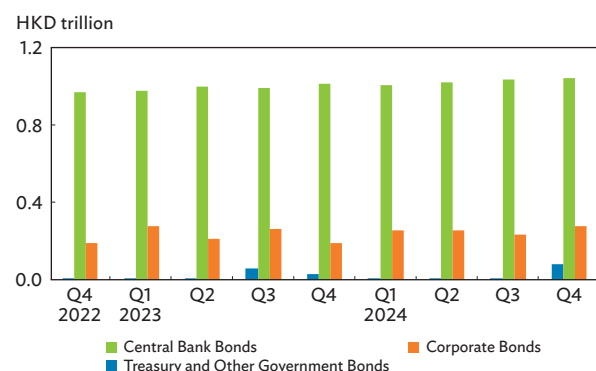


() = negative, HKD = Hong Kong dollar, HKSAR = Hong Kong Special Administrative Region, LCY = local currency, LHS = left-hand side, q-o-q = quarter-on-quarter, RHS = right-hand side.

Source: Hong Kong Monetary Authority.

Total issuance of LCY bonds jumped 10.4% q-o-q in Q4 2024, fueled by increased issuance of HKSAR government bonds and corporate bonds. LCY bond issuance picked up in Q4 2024, totaling HKD1.4 trillion (**Figure 3**). Issuance of HKSAR government bonds, which jumped to HKD83.3 billion in Q4 2024 from HKD1.5 billion in the previous quarter, led the growth in aggregate LCY bond sales. Issuance under the new Infrastructure Bond Programme started during the quarter, including HKD10.5 billion worth of institutional bonds and HKD72.8 billion of retail bonds. Meanwhile, corporate bond sales also rebounded, rising 17.3% q-o-q in Q4 2024 after contracting 7.4% q-o-q in the preceding quarter on renewed investor optimism amid improved economic conditions. Hong Kong, China's gross domestic product growth rose to 2.4% year-on-year in Q4 2024 from 1.9% year-on-year in the third quarter of 2024, propped up by government spending and exports. Hong Kong Mortgage Corporation continued to top all nonbank issuers with total bond sales of HKD19.2 billion, accounting for 86.3% of total nonbank corporate issuances in Q4 2024.

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



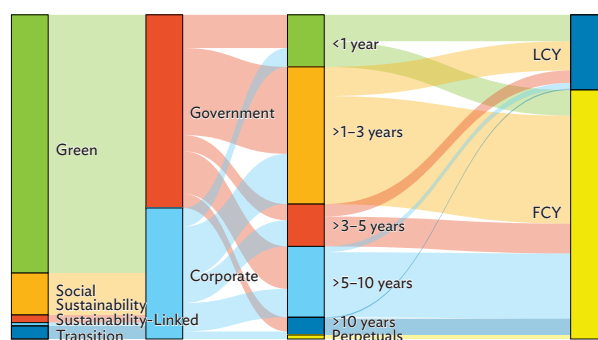
HKD = Hong Kong dollar, Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter.

Source: Hong Kong Monetary Authority.

Sustainable Bond Market

A majority of Hong Kong, China's sustainable bond market comprised green bond instruments issued by the public sector and denominated in a foreign currency. At the end of December, sustainable bonds outstanding totaled USD48.1 billion on growth of 3.2% q-o-q. Green bonds comprised nearly 80% of total sustainable bonds, followed by social bonds with a 12.9% share (**Figure 4**). Bonds issued by the public sector, which were all green bond instruments, comprised 59.6% of the total. Over 70% of outstanding sustainable bonds have remaining maturities of up to 5 years. Consequently, the size-weighted average tenor of outstanding sustainable bonds was 4.4 years at the end of December. Foreign-currency-denominated bonds comprised 76.8% of outstanding sustainable bonds in Hong Kong, China, the second-highest share among emerging East Asian markets, owing to the predominance of multi-currency government green bonds.¹³ Meanwhile, social, sustainability, sustainability-linked, and transitions bonds were issued solely by the private sector. In Q4 2024, all sustainable bond issuances (USD3.0 billion) were social bonds from the private sector.

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



FCY = foreign currency, LCY = local currency.

Source: AsianBondsOnline calculations based on Bloomberg LP data.

¹³ Emerging East Asia is defined to include member states of the Association of Southeast Asian Nations plus the People's Republic of China; Hong Kong, China; and the Republic of Korea.