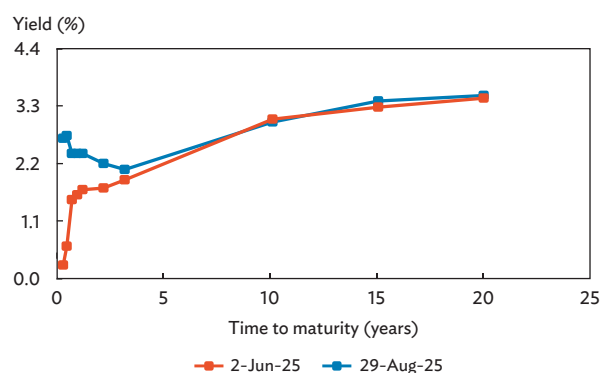


Hong Kong, China

Yield Movements

Between 2 June and 29 August, local currency (LCY) government bond yields in Hong Kong, China edged up for most maturities. Bond yields gained an average of 86 basis points for all maturities except the 10-year bond, which inched down by 5 basis points (**Figure 1**). The rise in bond yields was driven largely by a decline in the aggregate balance—a measure of interbank funding—following a series of interventions by the Hong Kong Monetary Authority to support the Hong Kong dollar's peg to the United States dollar. The aggregate balance decreased from HKD173.4 billion to HKD54.1 billion during the review period as the Hong Kong Monetary Authority purchased a total of HKD120.0 billion (in exchange for USD15.3 billion) from June to mid-August. The interventions drained excess funds from the financial system and pushed up borrowing costs, exerting upward pressure on bond yields. Meanwhile, inflation moderated to 1.0% year-on-year in July from 1.4% year-on-year in June as price pressures from domestic and external factors eased.

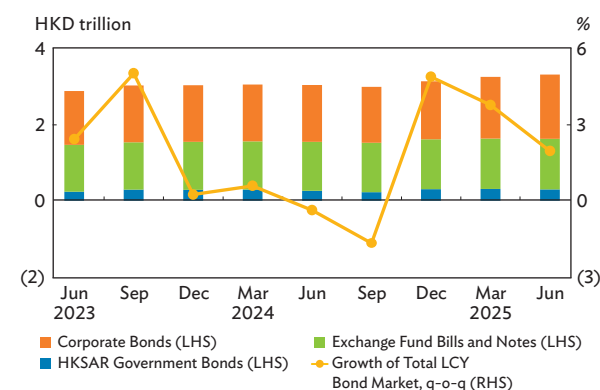
Figure 1: Hong Kong, China's Benchmark Yield Curve—Local Currency Government Bonds



Local Currency Bond Market Size and Issuance

Growth in Hong Kong, China's LCY bonds outstanding slowed in the second quarter (Q2) of 2025, with the market reaching a size of HKD3,309.6 billion at the end of June. LCY bonds outstanding grew 2.0% quarter-on-quarter (q-o-q) in Q2 2025, down from 3.8% q-o-q in the preceding quarter (**Figure 2**). The weaker growth was driven by a contraction in government bonds and the slower expansion of corporate bonds. Hong Kong Special Administrative Region (HKSAR) government bonds declined 4.9% q-o-q in Q2 2025 after a modest rise of 1.8% q-o-q in the previous quarter, while growth in corporate bonds moderated to 4.4% q-o-q from 6.6% q-o-q. HKSAR government bonds contracted due to maturities outpacing issuance, while the expansion in corporate bonds decelerated as economic uncertainties capped issuance. Outstanding corporate bonds (HKD1,690.4 billion) comprised 51.1% of the LCY bond market at the end of June, while Exchange Fund Bills and Notes (HKD1,325.3 billion) and HKSAR bonds (HKD293.9 billion) accounted for the remaining 40.0% and 8.9%, respectively.

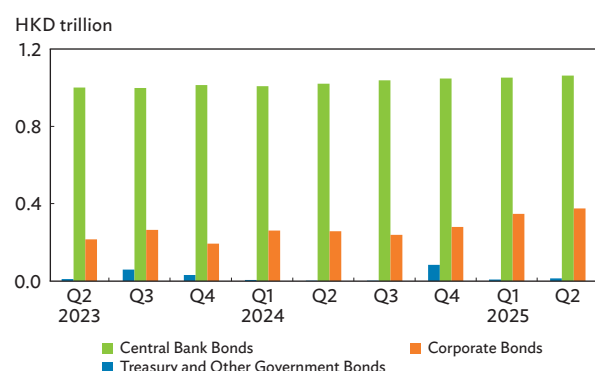
Figure 2: Composition of Local Currency Bonds Outstanding in Hong Kong, China



Total LCY bond sales rebounded in Q2 2025, boosted by increased issuance from the public sector.

New issuance of LCY bonds grew 3.2% q-o-q to HKD1,446.3 billion in Q2 2025, reversing the 0.3% q-o-q decline in the previous quarter (**Figure 3**). Issuance of new HKSAR government bonds jumped 80.0% q-o-q to HKD13.5 billion and included a 30-year bond, the longest maturity of HKD-denominated HKSAR government bonds issued to date. Issuance of Exchange Fund Bills and Notes inched up to 1.0% q-o-q in Q2 2025 from 0.4% q-o-q in the prior quarter. Meanwhile, growth in the issuance of corporate bonds moderated to 8.1% q-o-q in Q2 2025 from 24.1% q-o-q as economic uncertainty dampened business sentiment. The top nonbank corporate issuer in Q2 2025 was Hong Kong Mortgage Corporation, which issued a total of HKD11.8 billion, or 56.8% of aggregate nonbank corporate bond issuance during the quarter.

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.

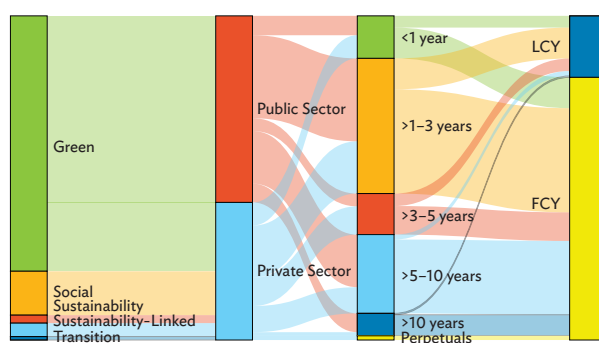
Source: Hong Kong Monetary Authority.

Sustainable Bond Market

Hong Kong, China's sustainable bonds outstanding reached USD45.9 billion at the end of June and continued to mostly consist of green bonds.

The stock of sustainable bonds fell 1.5% q-o-q in Q2 2025 due to the volume of maturities outpacing issuance. Green bonds continued to dominate the market with a 78.8% share, followed by social bonds with a 13.5% share (**Figure 4**). Public sector issuance again comprised a majority share of the outstanding sustainable bond market at the end of June, although its share declined to 56.7% from 58.2% at the end of March. While government bonds outstanding solely comprised green bonds, corporate bonds were slightly more diverse. About half of private sector securities were green bonds and a little under a third were social bonds. Bonds with tenors up to 5 years comprised 67.5% of outstanding securities at the end of June, resulting in a size-weighted average tenor of 4.7 years. About 81% of outstanding sustainable bonds were denominated in foreign currencies, which remained among the highest shares in emerging East Asia.²¹ New issuance in Q2 2025 consisted of green bonds denominated in foreign currencies from the public sector and green bonds denominated in Hong Kong dollars from the private sector.

Figure 4: Market Profile of Outstanding Sustainable Bonds in Hong Kong, China at the End of June 2025



FCY = foreign currency, LCY = local currency.

Source: AsianBondsOnline calculations based on Bloomberg LP data.

²¹ 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.