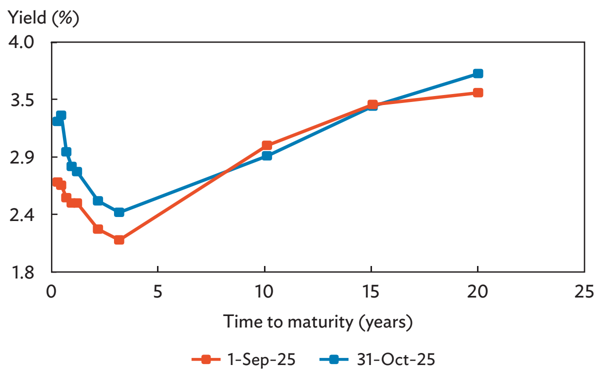
Hong Kong, China

Yield Movements

Local currency (LCY) government bond yields in Hong Kong, China rose for most maturities between 1 September and 31 October. Yields gained an average of 38 basis points (bps) for all maturities except the 10-year and 15-year bonds, which edged down 10 bps and 2 bps, respectively (**Figure 1**). The rise in yields reflected tight funding conditions amid interventions by the Hong Kong Monetary Authority to defend the Hong Kong dollar's peg to the United States (US) dollar.[17] These interventions drained excess funds from the financial system and pushed up borrowing costs, including bond yields. Improved economic conditions also contributed to the uptrend in most bond yields. Hong Kong, China's gross domestic product expanded faster in the third quarter (Q3) of 2025, rising 3.8% year-on-year compared to 3.1% year-on-year in the second quarter (Q2), supported by sustained growth in exports and domestic demand.

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

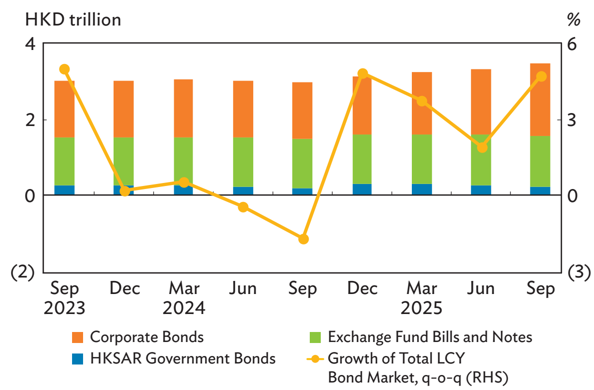


Source: Based on data from Bloomberg LP.

Local Currency Bond Market Size and Issuance

Hong Kong, China's LCY bond market expanded 4.7% quarter-on-quarter (q-o-q) to reach HKD3,465.9 billion at the end of September. The expansion in Q3 2025 accelerated from 2.0% q-o-q in Q2 2025, led by the corporate bond segment (**Figure 2**). Corporate bonds outstanding reached HKD1,877.2 billion on a gain of 11.1% q-o-q, up from 4.4% q-o-q in the previous quarter, driven by increased issuance amid improving economic conditions. Meanwhile, Hong Kong Special Administrative Region (HKSAR) government bonds outstanding (HKD257.3 billion) declined 12.4% q-o-q on a slowdown in issuance. Corporate bonds continued to comprise most of the LCY bond market, accounting for 54.2% of total bonds outstanding at the end of September.

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, q-o-q = quarter-on-quarter, RHS = right-hand side.

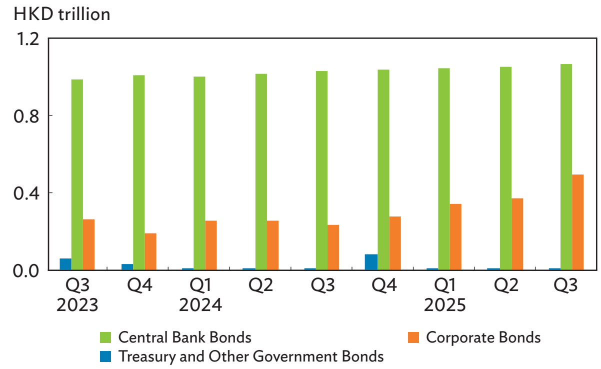
Source: Hong Kong Monetary Authority.

This market summary was written by Debbie Gundaya, consultant, Economic Research and Development Impact Department, Asian Development Bank, Manila.

17 The Hong Kong Monetary Authority purchased HKD7.1 billion worth of Hong Kong dollars in the first week of October to defend its currency peg after the local currency touched the weak end of its trading band with the United States dollar. The Hong Kong dollar weakened amid an equities market sell-off triggered by renewed trade tensions between the United States and the People's Republic of China in early October.

Strong bond issuance from the private sector amid improved economic conditions drove up overall LCY bond sales in Q3 2025. Total LCY bond issuance reached HKD1,581.0 billion in Q3 2025, with growth jumping to 9.3% q-o-q from 3.2% q-o-q in the previous quarter (**Figure 3**). Corporate bond sales posted robust growth of 33.5% q-o-q in Q3 2025, up from 8.1% q-o-q in Q2 2025, as sustained economic growth bolstered investor sentiment. Financial and real estate firms dominated debt sales in Q3 2025 as the property market stabilized. Hong Kong Mortgage Corporation remained the largest nonbank corporate issuer—its debt sales amounting to HKD19.3 billion and accounting for 68.7% of total nonbank corporate bond issuance in Q3 2025. Meanwhile, HKSAR government bond issuance contracted 46.3% q-o-q to HKD7.3 billion, as the issuance plan for 2025 had reduced issuance scheduled for Q3 2025 compared to the previous quarter. HKSAR issuances in Q3 2025 solely comprised institutional bonds under the Government Infrastructure Bond Programme, with maturities ranging from 1 year to 20 years. Proceeds from these bond sales were credited to the Capital Works Reserve Fund to finance infrastructure projects.

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



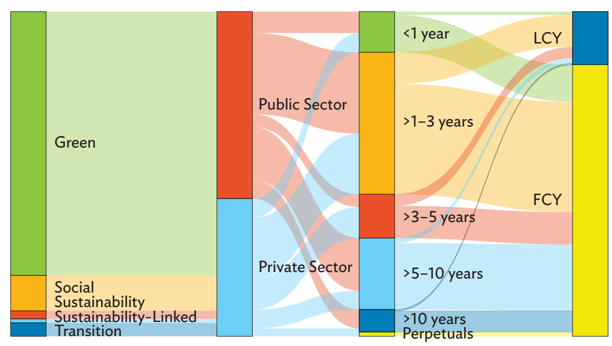
HKD = Hong Kong dollar, Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter.

Source: Hong Kong Monetary Authority.

Sustainable Bond Market

Sustainable bonds outstanding declined a marginal 0.1% q-o-q to USD45.9 billion at the end of Q3 2025 due to reduced issuance. Issuance in Q3 2025 was down 37.0% q-o-q to USD1.8 billion and was solely driven by the private sector. The largest issuer was CCB Shipping and Aviation Leasing, with a USD0.8 billion floating-rate note intended to finance green projects. In contrast, the government had no new sustainable bond issuance during the quarter, as it had already issued a multicurrency tranche of green bonds in the previous quarter. Green bonds continued to be the predominant bond type, comprising 81.3% of total sustainable bonds outstanding (**Figure 4**). Bonds issued by the public sector, all of which were green bonds, accounted for 57.6% of outstanding sustainable bonds at the end of September. Projects financed by proceeds from government sustainable bond issuances include green buildings, water and wastewater management, and climate change adaptation initiatives. About 83.6% of outstanding sustainable bonds in Hong Kong, China were denominated in foreign currency, primarily US dollars, in part due to multicurrency issuances under the Government Sustainable Bond Programme. Almost 90% of outstanding bonds issued under the program have been denominated in a foreign currency, in line with efforts to tap global investors' demand for sustainable bonds and enhance Hong Kong, China's position as a sustainable finance hub. Private sector sustainable bonds are also largely denominated in foreign currency, primarily US dollars and Chinese yuan. All private sector issuances in Q3 2025 were denominated in foreign currency, including CNY3.5 billion of dim sum bonds from Swire Properties earmarked for the financing of green buildings and related initiatives.

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



FCY = foreign currency, LCY = local currency.

Source: *AsianBondsOnline* calculations based on Bloomberg LP data.