

## CCXAP Weekly Series: Chinese Domestic Bond Market



Week Ending December 26, 2014

### HIGHLIGHTS

The highlights of the week were the records of medium-term note issuance in the primary market. On one hand was the debut of the six tranches perpetual notes, totally 19.7 billion RMB in the market. On the other hand was the successful issuance of medium-term notes of real estate corporations such as Vanke Property and Poly Real Estate. The issuance amount of medium-term note during the week has tripled in one week, climbed to 27.75 billion RMB. Thus, the total amount of debt issuance increased significantly by week. Yet, the overall debt issuance in the primary market was still cool, which was below 50 billion RMB. The yield spreads of the credit debts in different rating varied. It is worth to note that the yields of high-rated medium term notes declined substantially. The yield spreads were narrowed too. The yield of 3-year AAA rated medium-term note dropped below 5% again, with only 128bp yield spread.

### 1) ISSUANCE AMOUNT OF MEDIUM-TERM NOTES INCREASED LEADING THE DEBT ISSUANCE AMOUNT TO PICK UP

For the week ended 26 December, the total amount of debts issued recorded 47.83 billion RMB, which increased from 27.67 billion RMB last week. There were only one tranche of corporate issue which was 0.45 billion and four tranches enterprise bonds totaling 2.38 billion. Issuance amounts of medium-term notes increased greatly to 27.75 billion RMB while that of short-term notes showed stable, which recorded 17.25 billion RMB.

TABLE 1: WEEKLY BOND ISSUE AMOUNT

Period		Corporate Bond	Enterprise Bond	Medium-Term Note	Short-Term Note
Period Started	Period Ended	Total Issue Amount(bn)*	Total Issue Amount(bn)*	Total Issue Amount(bn)*	Total Issue Amount(bn)*
22/12/2014	26/12/2014	0.45	2.38	27.75	17.25
15/12/2014	19/12/2014	0	1.3	8.82	17.55
8/12/2014	12/12/2014	0.7	5	16.2	20.75
1/12/2014	05/12/2014	1.4	13.6	16.85	22.35
24/11/2014	28/11/2014	1.4	4.6	24.0	30.95
17/11/2014	21/11/2014	6.5	7.0	38.01	40.04
10/11/2014	14/11/2014	0	5.1	4.7	18.44
3/11/2014	7/11/2014	7.35	26.4	54.2	23.5
27/10/2014	31/10/2014	1.15	3	16.6	38.025
20/10/2014	24/10/2014	2.26	6.1	36.66	41.87
13/10/2014	17/10/2014	2.45	25.3	41.7	48.79
8/10/2014	11/10/2014	4.5	0	8.2	6.6

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28/9/2014	30/9/2014	1.15	0.7	7.65	6.7
22/9/2014	26/9/2014	3.89	10.6	21.25	28.2
15/9/2014	19/9/2014	3.3	25.05	35.53	25.49
9/9/2014	12/9/2014	1.25	22.5	11.75	32.85
1/9/2014	5/9/2014	0	10.35	26.69	33.91
25/8/2014	29/8/2014	3.35	14	15.15	30.2
18/8/2014	22/8/2014	2	45.3	29.45	26

Source of Information: GILDATA

\*(bn) = RMB billion

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### 2) AVERAG YIELDS OF HIGH-RATED DEBTS DROPPED SIGNIFICANTLY

For enterprise bonds, the average yield of the AA+ rated enterprise notes with 7-year maturity recorded 8.00% while the average yield spread was 433bp. The average yield of the AA rated notes with 7-year maturity recorded 7.18%, which was 22bp lower while the average yield spread was 361bp, which was 3bp tighter.

For medium-term notes, the average yield of 3-year AAA rated notes was 4.70%; the average yield was 128bp. The average yield of 3-year AA+ rated notes was 5.53% while the average yield spread was recorded 213bp. The average yield of 3-year AA rated notes was 8.00% while the average yield spread was recorded 454bp. The average yield of 5-year AAA rated notes was 5.03% while the average yield spread was recorded 148bp. The average yield of 5-year AA+ rated notes was 5.88% while the average yield spread was recorded 231bp.

For short-term notes, the average yield of 1-year AAA rated notes was 5.80%, 58bp wider; average yield spread was recorded 235bp, 63bp wider. The average yield of 1-year AA+ rated notes was 5.47%, 17bp wider; average yield spread was recorded 214bp, 17bp wider. The average yield of 1-year AA rated notes was 6.06%, 51bp tighter; average yield spread was recorded 272bp, 44bp tighter.

TABLE 2: AVERAGE YIELDS OF DEBT ISSUE (Unit: %)					TABLE 3: AVERAGE YIELD SPREADS OF DEBT ISSUE (Unit: bp)				
Interest Rate	Tenor	AAA	AA+	AA	Interest Spread	Tenor	AAA	AA+	AA
Enterprise Bond	5 years	--	--	--	Enterprise Bond	5 years	--	--	--
	7 years	--	8.00	7.18		7 years	--	433	361
Medium-Term Note	3 years	4.70	5.53	8.00	Medium-Term Note	3 years	128	213	454
	5 years	5.03	5.88	--		5 years.	148	231	--
Short-Term Note	1 year	5.80	5.47	6.06	Short-Term Note	1 year	235	214	272
Source of Information: GILDATA					Source of Information: GILDATA				

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