

CCXAP Weekly Series: Chinese Domestic Bond Market



Week Ending December 19, 2014

1) ISSUANCE AMOUNT CONTINUED TO DROP BELOW 30 BILLION

Coming to the end of the year, the passion to issue enterprise bonds was greatly dropped. The recent volatile changes of funding cost made most of the issuers to postpone the issuance plans. Thus, the amount of debt issue was decreasing. The yield spreads of different issues varies a lot. For the week ended 19 December, the total amount of debts issued continued to drop substantially to 27.67 billion RMB, which further dropped from 42.65 billion last week. There was no corporate issue and only one enterprise bond which was 1.3 billion RMB during the week. Issuance amounts of short-term notes and medium-term note dropped substantially to 8.82 billion RMB and 17.55 billion RMB respectively.

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)*
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
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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It is also worth to note that the recent growth of issuance of perpetual bonds was rapid surprisingly. There were two tranches of medium-term perpetual bonds which total amounted 7.5 billion RMB, representing 90% of the medium-term notes during the week. There is great potential for development of perpetual bonds due to their hybrid capital securities property nature. This is favourable for recapitalization of enterprises and broadening the refinancing channels. This would be a good choice for investors who prefer high-yield investment instruments issued by high-rated issuers.

2) YIELD SPREADS OF DEBT ISSUES REBOUNDED FURTHER

For enterprise bonds, the average yield of the AA rated enterprise notes with 7-year maturity recorded 7.40%, 52 bp higher than that of last week; the average yield spread was 364 bp, 49 bp wider.

For short-term notes, the average yield of 1-year AAA rated notes was 5.22%, average yield spread was recorded 172bp. The average yield of 1-year AA+ rated notes was 5.30%, 45 bp tighter; average yield spread was recorded 197 bp, 51 bp tighter. The average yield of 1-year AA rated notes was 6.57%, 6 bp wider; the average yield was 316 bp, 3 bp 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	--	--	7.40		7 years	--	--	364
Medium-Term Note	3 years	--	--	--	Medium-Term Note	3 years	--	--	--
	5 years	--	--	--		5 years.	--	--	--
Short-Term Note	1 year	5.22	5.30	6.57	Short-Term Note	1 year	172	197	316
Source of Information: GILDATA					Source of Information: GILDATA				

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