

CCXAP Weekly Series: Chinese Domestic Bond Market



Week Ending January 16, 2015

HIGHLIGHTS

The amount of credit debt issuance was over 30 billion RMB which has tripled that of last week. Issuance of short-term note dominated the market with over two-thirds of the total issuance amount, i.e. 22.15 billion RMB. The total volume of enterprise bond and medium-term note issuance was still small, yet rebounded since last week. No issuance of corporate bond took place. Currently, the issuance of credit debt market was not active except short-term note market. Other debt products stayed less issuance. The yield spreads of credit debt issues narrowed compared with that late last year as cash supply improved.

1) ISSUANCE OF SHORT-TERM NOTE BECAME MORE ACTIVE WHICH LEADS TO INCREASED VOLUME OF TOTAL AMOUNT OF ISSUANCE

Compared with the previous week, the amount of credit debt issuance increased. Despite the zero issuance of corporate bond, the issuance volume of enterprise bond, medium-term note and short-term note expanded to a great extent. The short-term note was the largest issuance volume, aggregate issued 22.15 billion RMB. The enterprise bond and medium-term note issued up to 5.2 billion RMB and 4.4 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)*
12/01/2015	16/01/2015	0	5.2	4.4	22.15
04/01/2015	09/01/2015	0.95	1	0.4	7.65
29/12/2014	31/12/2014	0	3.1	3.4	7.16
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

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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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2) THE INCREASE IN CASH SUPPLY LEADS THE GROWTH IN CREDIT DEBT ISSUANCE

There were only two tranches of 7-year AA rated enterprise bonds issued last week, with average 6.73% yield and 323bp average yield spread. An one 7-year AA+ rated corporate bonds was issued at 6% and 251bp yield spread. In addition, another AA+ rated mergers and acquisitions corporate bond issuance at 7% yield and 379bp average yield spread.

The four tranches of medium-term note were 3-year with rating AA-, 3-year with rating AA+, 5-year with rating AA+ and 3-year with rating AAA. They were issued at the yields of 7.97%, 5.1%, 4.98% and 5.58% and with the average yield spreads of 470bp, 188bp, 152bp, and 235bp respectively.

There were 10 tranches of short-term notes issued with ratings AAA, AA+, AA and AA-. The average yield of 1-year AAA short-term note was 4.83%, 6bp narrower and with average yield spread of 162bp, 8bp narrower. The average 1-year AA+ short-term note was 5.08%, 21bp narrower and with average yield spread of 187bp, 24bp narrower. The average yield of 1-year AA short-term note 5.89%, 161bp narrower and with average yield spread of 268bp, 162bp narrower.

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	--	6.00	6.73		7 years	--	251	323
Medium-Term Note	3 years	5.58	5.10	--	Medium-Term Note	3 years	235	188	--
	5 years	--	4.98	--		5 years.	--	152	--
Short-Term Note	1 year	4.83	5.08	5.89	Short-Term Note	1 year	162	187	268
Source of Information: GILDATA					Source of Information: GILDATA				

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