

CCXAP Weekly Series: Chinese Domestic Bond Market



A FURTHER PICK-UP IN CREDIT DEBT ISSUANCE AND THE YIELD SPREADS DIVERSIFIED

Week Ending January 23, 2015

HIGHLIGHTS

There was a further pick-up in credit debt issuance which was close to 60 billion RMB. All types of main credit debt issuance grew from last week. It is not surprised that short-term note still dominated the market and issued over 25 billion. There were over 10 billion issuance in medium-term note and enterprise bond. Corporate bond has shown its highest issuance since last November yet still less compared to the other three main types of debts. The yield spreads of credit debt shown diversified, of which the yield spreads of high-ranked debt widened from last week while those of low- and medium-rated debt narrowed. The yield spreads of those long-term debts went down while that of low- and medium- term debts rebounded.

1) PICK-UP IN ISSUANCE OF CREDIT DEBTS CONTINUED

There was a significant leap in issuance of credit debts last week. The issuance amount short-term note surged to 25.8 billion RMB, being the largest amount of issuance among four main types of debt. The issuance amount of medium-term note, enterprise bond and corporate bond showed 14.4 billion, 11.5 billion and 5.5 billion 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)*
19/01/2015	23/01/2015	5.5	11.5	14.44	25.8
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

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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
Source of Information: GILDATA					

*(bn) = RMB billion

2) DIVERSIFICATION IN AVERAGE YIELD SPREADS OF CREDIT DEBTS

There were 11 tranches of enterprise bonds issued last week with 10 tranches with maturity of 7 years (nine AA rated and one AA+ rated) and one tranche with 5+2 years maturity. The yield of 7-year AA+ rated issued at 6.68%, which was 68bp. The average yield of 7-year AA rated enterprise bonds was 6.74%, which was 1bp widened with average yield spread of 332bp, which was 9bp widened.

The nine tranches of medium-term notes included one tranche of SME collection of notes and one perpetual note. The medium-term notes were distributed throughout AAA, AA+ and AA ratings. The average yields of 3-year AAA, AA+ and AA rated bonds were 5.2%, 6.5% and 7.43% respectively, with average yield spreads of 199bp, 330bp and 422bp correspondingly. For those 5-year AAA and AA+ bonds, the average yields were 4.74% and 5.38% with average yield spreads of 136bp and 202bp respectively.

There were 29 tranches of short-term notes issued with ratings A+ to AAA. The average yield of 1-year AAA short-term note was 4.92%, which was 9bp widened and with average yield spread of 174bp which was 4bp widened. The average 1-year AA+ short-term note was 4.99%, which was 9bp narrowed and with average yield spread of 182bp, which was 5bp narrowed. The average yield of 1-year AA short-term note 5.7%, which was 19bp narrowed while the average yield spread was 253bp, which was 15bp narrowed.

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	--	6.68	6.74		7 years	--	328	332
Medium-Term Note	3 years	5.20	6.50	7.43	Medium-Term Note	3 years	199	330	422
	5 years	4.74	5.38	--		5 years.	136	202	--
Short-Term Note	1 year	4.92	4.99	5.70	Short-Term Note	1 year	174	182	253
Source of Information: GILDATA					Source of Information: GILDATA				

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