

Financial Market Report (August 2024)

1. Bond Issuance

In August, the bond market saw a total issuance of RMB7.39839 trillion. The issuance of treasury bonds, local government bonds, financial bonds, corporate credit bonds¹, credit-asset-backed securities, and interbank certificates of deposit (CDs) reached RMB1.59327 trillion, RMB1.19962 trillion, RMB1.13290 trillion, RMB1.37891 trillion, RMB13.10 billion and RMB2.05039 trillion, respectively.

As of end-August, outstanding bonds held in custody amounted to RMB167.9 trillion, including RMB147.3 trillion in the interbank bond market and RMB20.6 trillion in the exchange-traded bond market. By bond type, treasury bonds, local government bonds, financial bonds, corporate credit bonds, credit-asset-backed securities and CDs in custody recorded an outstanding amount of RMB32.3 trillion, RMB43.2 trillion, RMB40.0 trillion, RMB32.6 trillion, RMB1.2 trillion and RMB17.3 trillion, respectively. Commercial bank over-the-counter (OTC) bonds in custody recorded an outstanding amount of RMB89.11 billion.

2. Bond Market

In August, the turnover of cash bond trading in the interbank bond market saw a year-on-year decrease of 1.6 percent (a month-on-month decrease of 16.9 percent) to RMB28.8 trillion, with the daily average standing at RMB1.31095 trillion. Of the total turnover, transactions with each trade between RMB5 million and RMB50 million accounted for 51.1 percent, while those with each trade above RMB90 million made up 42.8 percent.

¹ Including debt-financing instruments issued by non-financial institutions, asset-backed notes, enterprise bonds, corporate bonds, and exchange-traded asset-backed securities.

The average value per trade was RMB41.588 million. The turnover of cash bond trading in the stock exchange bond market was RMB3.1 trillion, averaging RMB142.11 billion daily. A total of 81,000 transactions were done in the commercial bank OTC bond market, with the total turnover of RMB58.15 billion.

3. Bond Market Opening-up

As of end-August, overseas institutions held RMB4.56 trillion, or 2.7 percent of the outstanding bonds in custody in China's bond market. Specifically, their holdings in the interbank bond market amounted to RMB4.52 trillion. By bond type, overseas institutions held RMB2.28 trillion of treasury bonds, or 50.4 percent of their bond holdings in the interbank bond market, RMB1.12 trillion of CDs, or 24.8 percent of their bond holdings in the interbank bond market, and RMB0.95 trillion of policy bank bonds, or 21.0 percent of their bond holdings in the interbank bond market.

4. Money Market

In August, interbank money market transactions decreased by 30.4 percent year on year (a month-on-month decrease of 4.7 percent) to RMB9.1 trillion. Bond repo transactions declined by 15.5 percent (a month-on-month decrease of 2.7 percent) to RMB143.9 trillion. Repo transactions of exchange-traded standardized bonds went up by 9.7 percent year on year (a month-on-month decrease of 5.8 percent) to RMB44.7 trillion.

In August, the monthly weighted average interest rate on interbank

lending stood at 1.77 percent, down by 4 bps from a month earlier, while the monthly weighted average interest rate on pledged repos was 1.79 percent, down by 3 bps from a month earlier.

5. Bill Market

In August, commercial drafts that were accepted totaled RMB2.9 trillion while those discounted amounted to RMB2.2 trillion. As of end-August, the outstanding amount of accepted commercial drafts stood at RMB18.8 trillion, and those discounted registered RMB14.0 trillion.

In August, 102,000 micro, small, and medium-sized enterprises (MSMEs) issued bills, accounting for 93.1 percent of all issuing enterprises. Bills issued by MSMEs reached RMB2.1 trillion, representing 71.4 percent of the total issuance. Of all the enterprises that discounted bills, 111,000 (96.4 percent) were MSMEs. The bills they discounted registered RMB1.7 trillion, accounting for 77.0 percent of the total amount of discounted bills.

6. Stock Market

At end-August, the Shanghai Composite Index closed at 2842.2 points, decreasing by 96.5 points (3.3 percent) from a month earlier. The Shenzhen Component Index closed at 8348.5 points, decreasing by 405.6 points (4.6 percent) from a month earlier. In August, the average daily turnover on the Shanghai Stock Exchange decreased by 12.7 percent month on month to RMB257.96 billion and that on the Shenzhen Stock Exchange decreased by 5.6 percent month on month to RMB337.07 billion.

7. Structure of Bond Holders in the Interbank Bond Market

As of end-August, there were 4,014 incorporated institutions in the interbank market, all of which were financial institutions. Of the incorporated institutions, 2,094 were holders of debt-financing instruments issued by non-financial institutions² (“non-financial debt financing instruments” for short). By the size of bond holdings, the top 50 investors, mainly including public funds (asset management), large state-owned commercial banks (proprietary), and trust companies (asset management), held 50.4 percent of the total, and the top 200 investors held 83.5 percent. The biggest, smallest, average, and median numbers of holders for a non-financial debt financing instrument were 88, 1, 13 and 13, respectively, while 87 percent of non-financial debt financing instruments were held by fewer than 20 investors.

In August, based on the trading volume of non-financial debt-financing instruments by incorporated institutions, the top 50 investors conducted 60.8 percent of such transactions, mainly including securities companies (proprietary), fund companies (asset management) and joint stock commercial banks (proprietary). Transactions by the top 200 investors accounted for 90.5 percent.

(Sources: China Securities Regulatory Commission, China Central Depository & Clearing Co., Ltd., National Interbank Funding Center, Shanghai Clearing House, Shanghai Commercial Paper Exchange, Shanghai Stock Exchange, Shenzhen Stock Exchange, and Beijing Financial Assets Exchange)

² Statistics are available separately for proprietary investors and agent investors, same below.

