

Financial Market Report (2024)

In 2024, the bond market grew stably, with Chinese government bond yields fluctuating generally downwards; the high-standard opening-up of the bond market made steady progress and continued to see a diversified investor structure; money market transactions fell slightly while the interbank derivatives trading registered sustained growth; and major stock indexes recorded gains.

1. The bond market saw stable growth

In 2024, the bond market saw a total issuance of RMB79.3 trillion, up 11.7 percent year on year, with issuances in the interbank bond market and the stock exchange market posting RMB70.4 trillion and RMB8.9 trillion, respectively. In 2024, the issuances of Chinese government bonds, local government bonds, financial bonds, corporate credit bonds,¹ credit-asset-backed securities, and interbank certificates of deposit (CDs) reached RMB12.4 trillion, RMB9.8 trillion, RMB10.4 trillion, RMB14.5 trillion, RMB270.38 billion, and RMB31.5 trillion, respectively.

As of end-December 2024, outstanding bonds in custody in the bond market increased by 12.1 percent year on year to RMB177.0 trillion, including RMB155.8 trillion in the interbank bond market and RMB21.2 trillion in the stock exchange market. Commercial bank over-the-counter (OTC) bonds in custody recorded an outstanding amount of RMB155.62 billion.

2. Bond yields fluctuated generally downwards

At end-December 2024, the yields on 1-year, 3-year, 5-year, 7-year, and 10-year Chinese government bonds stood at 1.08 percent, 1.19 percent, 1.42 percent, 1.59 percent, and 1.68 percent, respectively.

In December 2024, the monthly weighted average interest rate for interbank lending was 1.57 percent, down 21bps from a year earlier, while that for interbank pledged repos stood at 1.65 percent, down 25bps from a year earlier.

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

Figure 1: Change in Chinese Government Bond Yield Curves in 2024



Source: China Central Depository & Clearing Co., Ltd.

3. The opening-up of the bond market proceeded stably in an orderly manner

As of end-2024, overseas institutions held RMB4.20 trillion or 2.4 percent of the outstanding bonds in custody in China's bond market. Specifically, their holdings in the interbank bond market amounted to RMB4.16 trillion. By bond type, overseas institutions held RMB2.06 trillion or 49.5 percent of Chinese government bonds, RMB1.04 trillion or 25.0 percent of interbank CDs, and RMB0.88 trillion or 21.2 percent of policy financial bonds.

4. The bond market continued to see a diversified investor structure

As of end-2024, by legal person status, there were 2,096 holders of debt-financing instruments issued by non-financial institutions ("non-financial debt financing instruments" for short).² By the size of bond holdings, the top 50 investors, mainly including mutual funds, large state-owned commercial banks, and trust companies, held 51.6 percent of the total, while the top 200 investors held 83.8 percent. The biggest, smallest, average, and median numbers of holders for a non-financial debt financing instrument were 103, 1, 13, and 13, respectively, while 87 percent of non-financial debt financing instruments were each held by no more than 20 investors. By the volume of trading of non-financial debt-financing instruments, the top 50 investors, mainly including securities

² Including only the non-financial debt financing instruments in custody in the Shanghai Clearing House, same below.

companies, fund companies, and joint-stock commercial banks, conducted 60.2 percent of the transactions in 2024, while transactions by the top 200 investors accounted for 89.6 percent.

5. Money market transactions fell slightly

In 2024, interbank money market transactions totaled RMB1783.7 trillion, decreasing by 1.8 percent year on year. Specifically, pledged repo transactions rose by 0.2 percent year on year to RMB1672.1 trillion; outright repo transactions surged by 57.1 percent year on year to RMB8.5 trillion; and interbank lending transactions dropped by 27.9 percent year on year to RMB103.1 trillion. Repos of exchange-traded standardized bonds climbed by 26.4 percent year on year to RMB510.0 trillion.

In 2024, the turnover of cash bond trading in the interbank bond market reached RMB377.8 trillion, with the daily average standing at RMB1505.38 billion. Most of the transactions posted a turnover between RMB5 million and RMB50 million or above RMB90 million. The average value per trade was RMB43.426 million. The turnover of cash bond trading in the stock exchange bond market amounted to RMB41.7 trillion, averaging RMB172.44 billion per day. A total of 1,017,000 transactions were done in the OTC bond market, with a total turnover of RMB534.90 billion.

6. Both accepted and discounted bills saw year-on-year rises

In 2024, commercial drafts that were accepted totaled RMB38.3 trillion while those discounted amounted to RMB30.5 trillion. As of end-2024, the outstanding amount of accepted commercial drafts stood at RMB19.8 trillion, rising by 6.5 percent from a year earlier, while those discounted registered RMB14.8 trillion outstanding, an increase of 11.7 percent year on year.

In 2024, a total of 226,000 micro, small, and medium-sized enterprises (MSMEs) issued bills, accounting for 93.8 percent of all the issuing enterprises. Bills issued by MSMEs reached RMB27.4 trillion, representing 71.5 percent of the total issuance. Of all the enterprises that discounted bills, 367,000, or 96.5 percent, were MSMEs. The bills they discounted registered RMB23.6 trillion, accounting for 77.3 percent of the total amount of discounted bills.

7. Interbank derivatives trading grew year on year

In 2024, interbank RMB interest rate derivatives trading saw a total turnover of RMB36.9 trillion, up 15.4 percent year on year. Specifically, notional principal amounts in interest rate swaps totaled RMB32.7 trillion, up 3.8 percent year on year; standardized bond forwards saw a total turnover of RMB1.1 trillion; notional principal amounts in credit risk mitigation warrants that had been created posted RMB17.38 billion; and notional principal amounts in credit default swaps reached RMB3.02 billion. Trading of Chinese government bond futures saw a total turnover of RMB67.4 trillion, up 20.1 percent year on year. The swap interest rates moved down. At end-2024, 1-year FR007 closed at an average of 1.46 percent, down 53bps year on year, while 5-year FR007 closed at an average of 1.43 percent, down 89bps year on year.

8. Major stock indexes recorded gains

At end-2024, the SSE Composite Index closed at 3351.8, up 376.9 points or 12.7 percent from end-2023; and the SZSE Component Index closed at 10414.6, up 889.9 points or 9.3 percent from end-2023. Turnovers on the Shanghai and Shenzhen Stock Exchanges totaled RMB 254.8 trillion for the full year, up 20.1 percent year on year.

(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, and Shenzhen Stock Exchange)