

Financial Market Report (February 2025)

1. Bond Issuance

In February, the bond market saw a total issuance of RMB6667.01 billion. The issuances of treasury bonds, local government bonds, financial bonds, corporate credit bonds,¹ credit-asset-backed securities, and interbank certificates of deposit (CDs) reached RMB977.56 billion, RMB1305.73 billion, RMB834.30 billion, RMB805.85 billion, RMB1.50 billion, and RMB2713.12 billion, respectively.

As of end-February, outstanding bonds held in custody amounted to RMB180.5 trillion, including RMB159.3 trillion in the interbank bond market and RMB21.2 trillion in the exchange bond market. By bond type, treasury bonds, local government bonds, financial bonds, corporate credit bonds, credit-asset-backed securities, and interbank CDs in custody recorded outstanding amounts of RMB34.7 trillion, RMB48.9 trillion, RMB41.3 trillion, RMB33.3 trillion, RMB1.1 trillion, and RMB20.1 trillion, respectively. Commercial bank over-the-counter (OTC) bonds in custody recorded an outstanding amount of RMB154.74 billion.

2. Bond Market

In February, cash bond trading in the interbank bond market saw a turnover of RMB27.0 trillion, recording a year-on-year decline of 6.5 percent but a month-on-month growth of 3.9 percent, with the daily average standing at

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

RMB1.4 trillion. Of the total turnover, transactions with each trade between RMB5 million and RMB50 million accounted for 53.2 percent, while those with each trade above RMB90 million made up 40.5 percent. The average value per trade was RMB39.805 million. The turnover of cash bond trading in the exchange bond market was RMB2.6 trillion, averaging RMB145.21 billion daily. A total of 91,000 transactions were done in the commercial bank OTC bond market, registering a turnover of RMB52.11 billion.

3. Bond Market Opening-up

As of end-February, overseas institutions held RMB4.3 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 RMB4.2 trillion. By bond type, overseas institutions held RMB2.0 trillion, or 48.0 percent, of treasury bonds, RMB1.1 trillion, or 27.1 percent, of interbank CDs, and RMB0.9 trillion, or 20.4 percent, of policy bank bonds.

4. Money Market

In February, transactions in the interbank lending market totaled RMB4.4 trillion, down by 31.3 percent year on year and 14.3 percent month on month. Bond repo transactions dropped by 13.3 percent year on year and 16.4 percent month on month to RMB91.8 trillion. Repo transactions of exchange-traded standardized bonds rose by 49.5 percent year on year and 7.2 percent month on month to RMB46.1 trillion.

In February, the monthly weighted average interest rate on interbank lending stood at 1.95 percent, up by 9 bps month on month, while that on pledged

repos was 2.00 percent, down by 16 bps month on month.

5. Bill Market

In February, commercial drafts that were accepted totaled RMB2.9 trillion while those discounted amounted to RMB2.5 trillion. As of end-February, the outstanding amounts of accepted commercial drafts and those discounted stood at RMB19.6 trillion and RMB14.5 trillion, respectively.

In February, a total of 82,000 micro, small, and medium-sized enterprises (MSMEs) issued bills, accounting for 92.3 percent of all the issuing enterprises. Bills issued by MSMEs reached RMB2.1 trillion, representing 72.0 percent of the total bill issuance. Of all the enterprises that discounted bills, 98,000, or 93.6 percent, were MSMEs. The bills they discounted registered RMB1.9 trillion, accounting for 75.9 percent of the total amount of discounted bills.

6. Stock Market

At end-February, the SSE Composite Index closed at 3320.9, up by 70.3 points, or 2.2 percent, month on month, while the SZSE Component Index closed at 10611.24, up by 455.2 points, or 4.5 percent, month on month. In February, the average daily turnover on the Shanghai Stock Exchange grew by 46.3 percent month on month to RMB703.77 billion, and that on the Shenzhen Stock Exchange climbed by 55.6 percent month on month to RMB1106.45 billion.

7. Structure of Bond Holders in the Interbank Bond Market

As of end-February, there were 3,982 institutional investors in the interbank market in terms of incorporated entities, all of which were financial institutions. By the size of bond holdings, the top 50 investors in corporate credit bonds,² mainly including publicly offered funds (asset management), large state-owned commercial banks (proprietary), and insurance financial institutions (asset management), accounted for 47.7 percent of such holdings, while the top 200 investors held 78.8 percent. The biggest, smallest, average, and median numbers of holders for a corporate credit bond were 132, 1, 12 and 12, respectively. Of the total number of such credit bonds, 88.4 percent were held by no more than 20 investors.

In February, based on the trading volume of corporate credit bonds by incorporated entities, the top 50 investors, mainly including securities companies (proprietary), fund companies (asset management), and joint stock commercial banks (proprietary), conducted 60.9 percent of such transactions, while the transactions by the top 200 investors accounted for 90.3 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 reported separately for proprietary investors and agent investors, same below.