

Financial Market Performance in September 2009

In the first nine months of 2009, the financial market performed in a stable manner. In September, bond issuance on the inter-bank market grew significantly, and the share of short- and long-term bond issuance increased. Interest rates on the money market went up. The inter-bank funding volume and the bond repo volume increased. Spot trading volume rose. Inter-bank bond index edged up. The medium- and long-term end of the T-bond yield curve moved upward. Stock indices declined after an increase, and the daily turnover on the stock market declined.

1. Bond Issuance¹

In the first nine months of 2009, bond issuance on the inter-bank bond market stood at 3033.91 billion yuan accumulatively, up 84.2 percent year on year. In September, bond issuance on the inter-bank bond market registered 500.27 billion yuan, an increase of 53.3 percent over August. At end-September, bonds in depositary amounted to 12.47 trillion yuan², and specifically, bonds in depositary on the inter-bank bond market stood at 12.19 trillion yuan, accounting for 97.8 percent of the total.

Among the bond issuance in the first nine months in 2009, bonds with a maturity of less than 5 years dominated the maturity structure and the issuance of bonds with a maturity of less than 5 years and more than 10 years both increased in September.

2. Trading on the money market

In the first nine months of 2009, the performance of the money market was generally stable. January through September, the trading volume of the inter-bank funding market registered 13.72 trillion yuan, up 21.12 percent year on year. In September, the trading volume of bond pledged repo registered 51.37 trillion yuan, up 29.88 percent over the same period of the last year. The turnover on the inter-bank market totaled 2.07 trillion yuan, up 25.7 over August. The turnover of bond pledged repo reached 6.15 trillion yuan, up 18.62 percent over the previous month.

One-day products dominated the trading structure. The turnover of overnight borrowing accounted for 82.3 percent of the month's total. The turnover of one-day pledged repo accounted for 76.65 percent of the month's total.

¹ Bond issuance refers to RMB bonds issued on the inter-bank market in China (excluding central bank bills).

² Excluding deposited central bank bills.

In September, the interest rates of the money market increased. The weighted average interest rate of inter-bank borrowing rose by 6 basis points over August to 1.27 percent. The weighted average interest rate for 7-day products rose 8 basis points to 1.57 percent. The weighted average interest rate of bond pledged repo was up 5 basis points over August to 1.28 percent. The weighted average interest rate of one-day bond pledged repo rose 3 basis points over August to 1.18 percent.

3. Spot Bond Trading

In the first nine months of 2009, the turnover of spot bond trading on the inter-bank market registered 36.5 trillion yuan, up 38.5 percent year on year. In September, the turnover of spot bond trading on the inter-bank bond market rose 5.22 percent over August to 5.1 trillion yuan. The turnover of spot T-bond trading on the exchange market increased 30.8 percent over the previous month to 21.803 billion yuan.

In September, the inter-bank bond index and the exchange T-bond index both increased by a small margin. The inter-bank bond index rose 0.04 points from 129.50 points at the beginning of September to 129.54 points by the end of this month, an increase of 0.03 percent. The exchange T-bond index grew 0.33 points from 121.38 points at the beginning of September to 121.71 points at the end of this month, representing a growth of 0.27 percent. In September, the medium- and long-term end of the T-bonds yield curve moved upward, while the short-term end remained basically stable.

4. Stock Trading

In September, stock indices declined after a rise. The Shanghai Stock Exchange Composite Index registered 2683.72 points at the beginning of September, peaked 3060.26 points on September 17th and closed at 2779.43 points at the end of the month. The average daily turnover on Shanghai Stock Exchange was 125.976 billion yuan, down 60.8 billion yuan over the previous month.

(Sources: China Government Securities Depository Trust and Clearing Co., Ltd, China National Inter-bank Funding Center, and the website of Shanghai Stock Exchange)