

Headline news

⇒ Local government bond market continues to expand

Data from China's Ministry of Finance indicate that total bond issuance for local governments, ¥7.4tn in 2022, will exceed ¥7.5tn (\$1.1tn) in 2023. More than half of the proceeds will likely go towards infrastructure projects. Interest payments on existing debt now exceed ¥1tn. Hence there is growing financial pressure to make China's domestic markets more accessible to foreign investors. And in our view, the long completion times for many of these projects will lead to more issuance, and hence more liquidity, in longer maturities.

⇒ Modest rate declines across the curve

Rates came down across the curve for China rate and CCS products aside from an anomalous blip up in the CGB 2yr. The movements were not large—4 to 5 bps in the middle of the curves, 3 to 4 bps at the long end. The benchmark DragonX10 rose 2 points, a roughly 0.2% move.

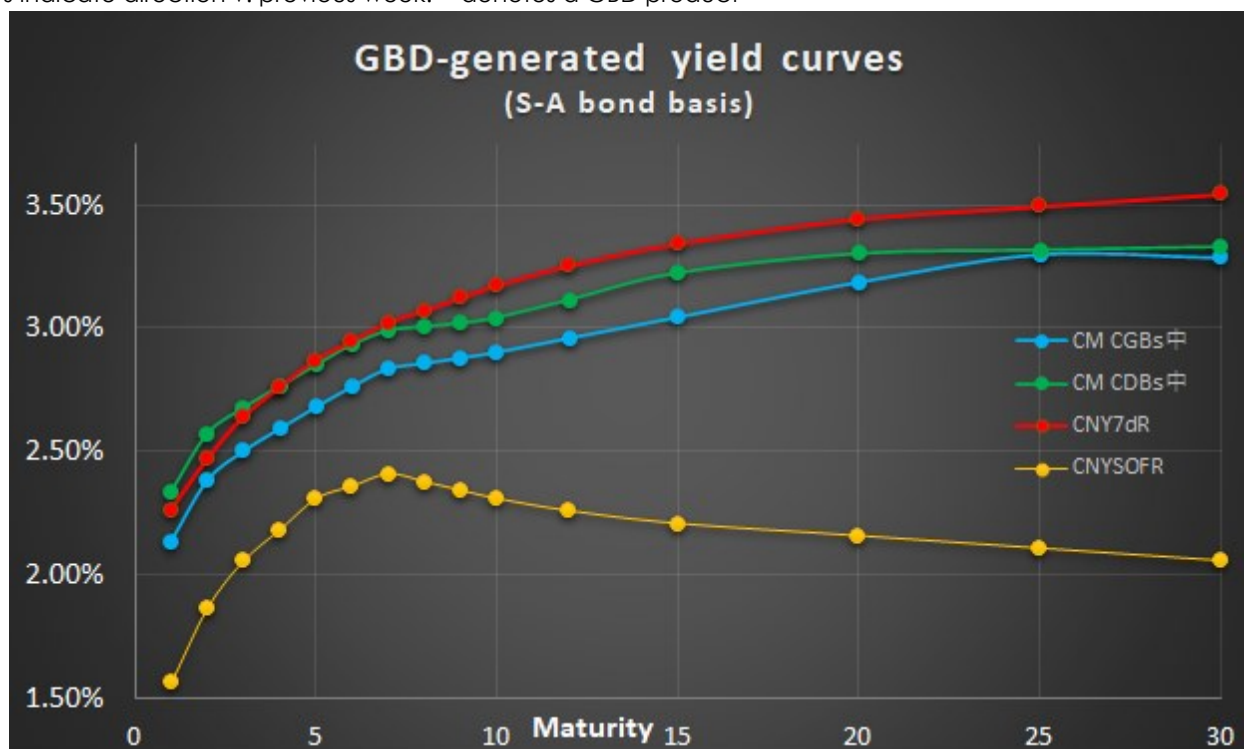
7-day repo 1.90% ▼

5Y CNY7dR 2.87% ▼

10Y CM CGB[#] 2.91% ▼

DragonX10[#] ¥999.6 ▲

Arrows indicate direction v. previous week. [#] denotes a GBD product



GB Dragon's current proprietary data

- Our performance DragonX indices (1, 5, 10 and 30y) for CGBs
- 30-year curves for
 - ◊ Swaps and currency forwards in a broad range of markets
 - ◊ Par and zero-coupon interest rate swap curves
 - ◊ Constant maturity (CM) China Government and China Development Bank bonds

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