

- The HKEX Fixed Income and Currency (FIC) RMB Conference highlighted the growing FIC market in Hong Kong
- Hong Kong's listed bond market continues to grow, remains the leading Kungfu bond venue
- USD/CNH Futures trading remains active amid two-way fluctuations of the RMB

## FIC RMB Conference 2020 highlights

A big thank you to those who joined the HKEX FIC RMB Conference, one of Asia's premier annual industry events. If you missed the event, please tap [here](#) to enjoy a replay of the conference.

High-profile executives from more than 20 leading institutions and organisations joined us online and shared their views on topics such as the changing landscape of global fiscal and monetary policies, future developments in the Chinese bond and derivatives markets, growth of ESG investment and electronic bond market development.

In his welcome remarks, HKEX Chief Executive Charles Li noted that under the current growing geopolitical uncertainties and challenges, Hong Kong's role as a bridge between the onshore market and offshore markets will evolve but remain important, and HKEX is committed to invest in new FIC infrastructure in preparation for further RMB internationalisation.



“HKEX's journey in the FIC space began less than a decade ago and Bond Connect, which started three years ago, has put us firmly on the map. We have launched a suite of RMB currency derivatives products, and Bond Connect average daily turnover topped RMB 20 billion this year – 10 times its size when it was first launched in 2017.”

**Charles Li**, Chief Executive of HKEX



“We have seen huge inflows of RMB 200bn from international investors into the Chinese onshore fixed income market through Bond Connect in the past three months. Further expansion in the FIC business, including primary listing, derivatives and post-trade services, would help position Hong Kong as a global fixed income and currency centre.”

**Julien Martin**, HKEX Head of FIC Development

### Key event statistics



**1,100+**  
live views



**800+**  
organisations



**18** sponsors and  
endorsing partners

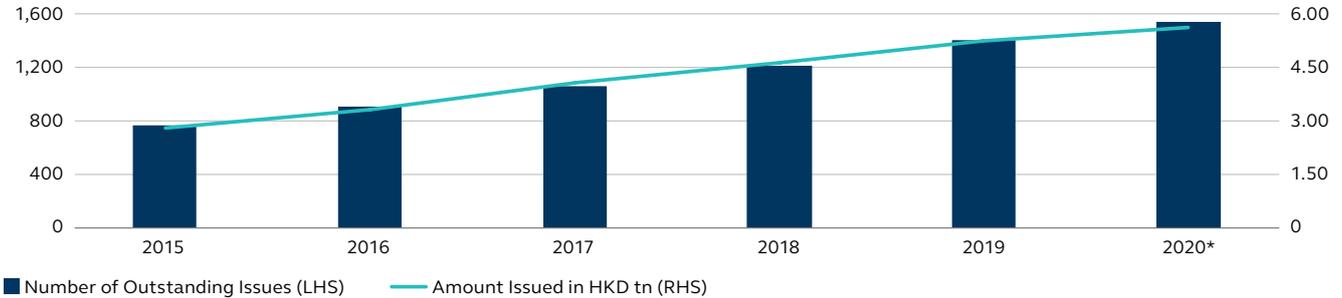


Speakers and  
panelists from over **20**  
organisations.

# Bond market highlights

## Listed bond market keeps growing

The Hong Kong listed bond market has flourished in the past five years, with the number of listed bonds growing to 1,500 in 2020, up from 760 in 2015, while the nominal value increased by 103% during the same period. Total amount issued exceeded HKD 5.6 tn as of the end of September this year.



■ Number of Outstanding Issues (LHS)    — Amount Issued in HKD tn (RHS)  
\* Data as of end of Sep

Over the past 10 years, issuance of USD-denominated offshore bonds has become a major financing channel for Chinese corporates and institutions. HKEX has facilitated more than 50% of Kungfu bonds (Chinese-issued USD-denominated bonds) listed, making it one of the leading listing venues in the world.

## HKEX is the primary listing venue for Kungfu bonds



■ Listed in HKEX    ■ Not Listed in HKEX  
\* Data as of end of Sep

## Hong Kong listed bond market at a glance\*

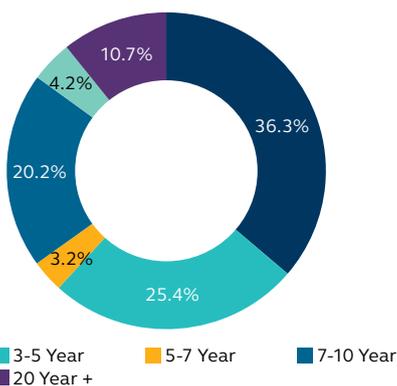
**1500+**  
outstanding listed debt securities

HKD **5.6tn+**  
amount issued of debt securities

**58%**  
Share of global Kungfu bonds listed on HKEX

\* Data as of end of Sep 2020

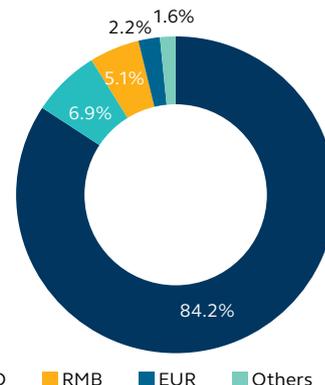
## Majority of bond tenors are within 1 – 5 years



■ 1-3 Year    ■ 3-5 Year    ■ 5-7 Year    ■ 7-10 Year  
■ 10-20 Year    ■ 20 Year +

Data as of end of Sep 2020

## USD-denominated bond represents a majority, while RMB-denominated bond represents 5% of the total number of outstanding bonds



■ USD    ■ HKD    ■ RMB    ■ EUR    ■ Others





## iBond to reissue and list on HKEX

### Key features



High credit: HKSAR Government has a high investment grade credit rating



3-year inflation-linked retail bonds issued by the HKSAR Government



Semi-annual interest payments linked to the average annual inflation rate



A guaranteed minimum return of 2%, double that of the previous issuance in 2016

### Secondary trading through HKEX

- Stock code: 4239
- Start trading on 17 November 2020
- Efficient auto-matching market
- Provide transparent on-screen prices

### Data of previous iBond issuance

Year of issuance	Listing date	Turnover on listing date (HKD mn)	Closing price on listing date (HKD)	% increase from face value
2011	29 Jul 11	159	106.70	6.70%
2012	25 Jun 12	708	105.00	5.00%
2013	25 Jun 13	1,091	103.15	3.15%
2014	12 Aug 14	1,548	105.15	5.15%
2015	10 Aug 15	1,772	105.50	5.50%
2016	21 Jun 16	1,804	103.35	3.35%

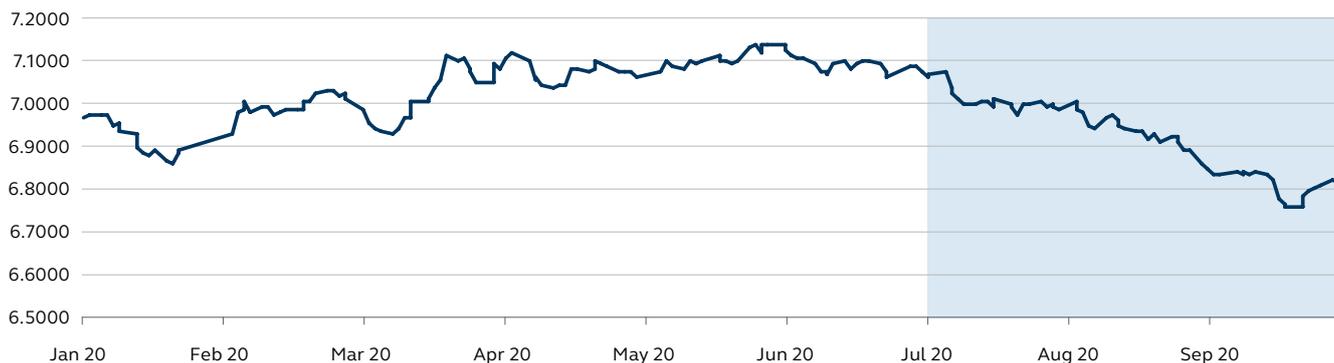
# FX market highlights

## USD/CNH Futures

### Trading remains active in Q3 amid continued appreciation of the RMB during the quarter

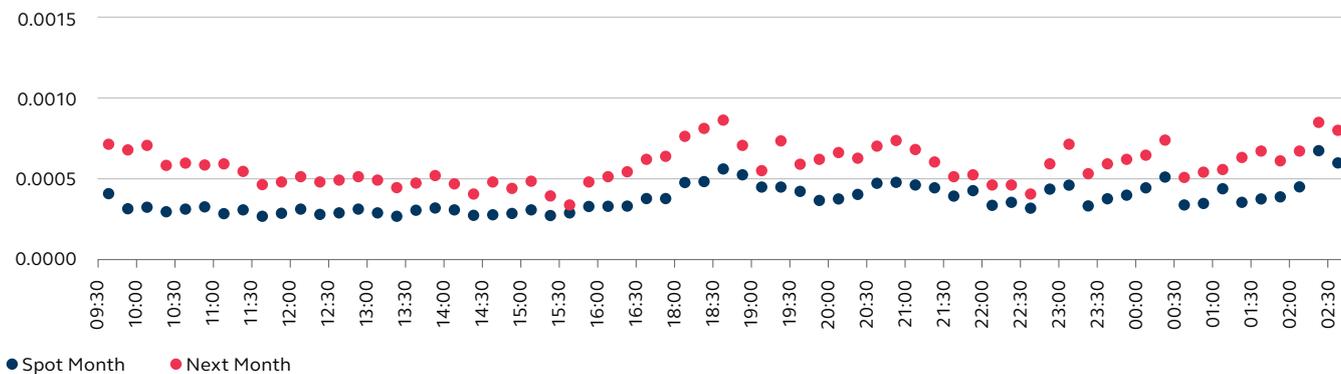
The USD/CNH Futures market remained active in Q3 2020 amid continued appreciation of the Chinese RMB. The appreciation may be fuelled by a rebound in consumption and larger-than-expected gains in industrial output as Covid-19 restrictions eased. Meanwhile, the People's Bank of China shifted to a strong renminbi policy and the onshore renminbi has appreciated by about 5% against the dollar between May and September 2020, potentially due to the focus on the development of domestic consumption under the new dual circulation plan. Continued appreciation of the RMB may have added to risk management demands as we saw an increase in open interest of 11% by end of Q3 2020 as compared to 2019 end of year.

## USD/CNY central parity fixing



To further enhance the competitiveness of USD/CNH Futures contracts and appeal to a wider range of market participants, we have recruited new liquidity providers to support continuous quoting for T+1 sessions with significantly narrowed bid-ask spreads. HKEX's spot and next month contracts provide narrower spreads as compared to similar contracts traded on other exchanges.

## USD/CNH Futures spot month bid-ask spread remains narrow in after-hours session

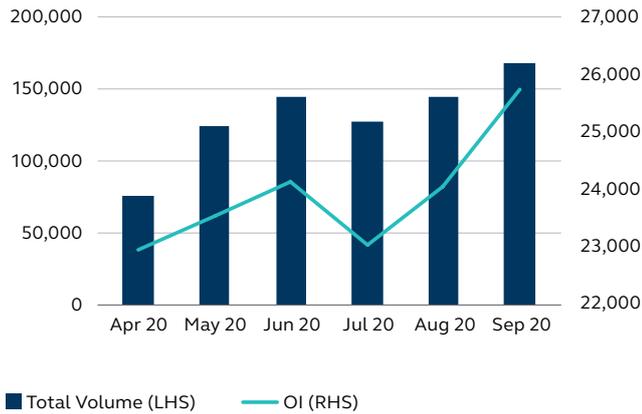


Source: Bloomberg

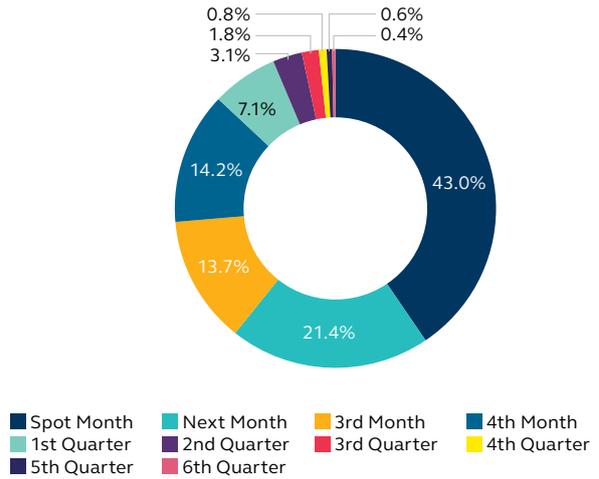
USD/CNH Futures data from 9:00 am until 4:29 pm on 21 Sep (T session) and 5:30 pm on 21 Sep until 2:59 am on 22 Sep (T+1 session). The bid-ask spreads are based on 1 minute interval price data and are calculated as 15 minute average.



## Trading of USD/CNH Futures shows stable monthly increase



## Trading volume is well distributed across tenors



## INR Currency Futures

### INR Currency Futures market continue to grow, with added liquidity provider in the INR/CNH market

The monthly bulletin released by Reserve Bank of India (RBI) showed that the RBI remained a net buyer of the USD in July and August, purchasing USD 21bn on a net basis. RBI was seen intervening intermittently and building its foreign reserves to contain the risk of sharp appreciation of the rupee amid USD depreciation in Q3 2020.



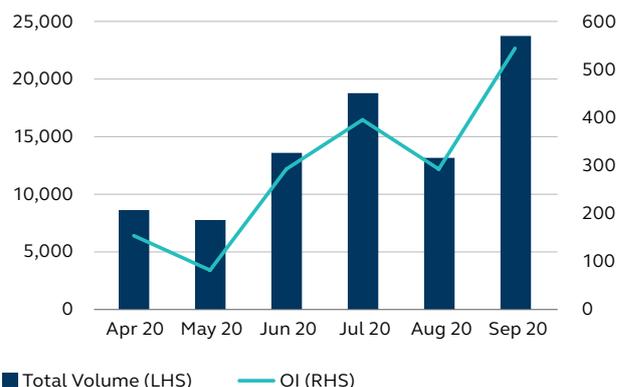
## INR/USD FX Spot



In August we also recruited Liquidity Providers to support continuous quoting for T sessions with tight bid-ask spreads for INR/CNH Futures, which is the first INR/CNH listed contract in the world.

Demand for hedging in the INR continued to grow despite the uncertainty caused by India's nation-wide lockdown extension. Q3 trading volume of INR/USD Futures surged 86% from Q2, with an increase in open interest.

## Q3 volume of INR/USD Futures surges 86% against Q2 while OI continues to build up



# Meet the HKEX FIC development team

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Our talented team of professionals are working to deliver HKEX's FIC vision to be the global markets leader in the Asian time zone. Please contact us to learn more about how we can support you in the FIC market.



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## Learn more about

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- [Derivatives Market Access Codes](#) – Access our Currency Futures and Options
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