

Macro& Financial

Market News

China Bond Market International Forum Held in Beijing

On January 17, the China Bond Market International Forum was held in Beijing, which was presided over by Zhu He, deputy governor of the People Bank of China (PBoC). PBoC deputy governor Pan Gongsheng attended the forum themed “Development, Reforms and Opening-up of China Bond Market” and delivered a keynote speech. Among those keynote speakers were Wang Xiaolong, head of treasury department of the Ministry of Finance, Ingrid van Wees, vice president of Asian Development Bank, Alfred Schipke, chief representative of International Monetary Fund (IMF) in China, Mary Schapiro, vice chairman of Bloomberg, Charles Li, chief executive officer of Hong Exchanges of Clearing, Mark Makepeace, chief executive officer of FTSE Russell.

Three round table discussions were held at the forum. Centered on such themes as “China bond market from a global view”, “Building a more efficient and open China bond market” and “Financing by overseas institutions on China Bond market”, experts from HKEX, CFETS, NAFMII shared their experience in participating in the reform and opening up of China bond market, and explored ways to build a more open, transparent, secure, efficient China bond market.

At the forum, China Foreign Exchange Trade System (CFETS) & National Interbank Funding Center (NIFC) officially launched cooperation with Bloomberg to enable overseas investors to participate in interbank bond market through CIBM Direct and Bond Connect with Bloomberg terminal and trading system, providing more channels for overseas investors to enter China bond market.

With further deepening of opening up of the financial market, more than 1,200 overseas investors from over 40 countries have entered the market. The trading volume by overseas institutions saw a growth of over 40% in 2018, with bond positions held increasing by more than 50%. In the second half of 2018, the Bond Connect came with DVP across the board, position sizing and three-year tax free for overseas institutions, paying the way for its inclusion into Bloomberg Barclays Indices.

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Statistics

PBoC launched TMLF in the first quarter of 2019

On January 23, 2019, the People's Bank of China (PBoC) injected liquidity via Targeted Medium-Term Lending Facility (TMLF) in the first quarter of the year. The funds were lent to qualified large commercial banks, joint-stock banks and major city commercial banks that filed applications. The amount of funds, 257.5 billion yuan, was set based on the incremental loans by relevant financial institutions to small and microenterprises and private enterprises in the fourth quarter of 2018 as well as requirements of such enterprises. The maturity of TMLF is one year, and can be extended for two times at the request of financial institutions to a total of three years. The interest rate was set at 3.15%, 15 base points lower than the Medium-Term Lending Facility (MLF).

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Financial statistics for 2018

Broad money (M2) grew by 8.1%, narrow money (M1) by 1.5%; RMB denominated loan was up by 16.17 trillion yuan, foreign currency loan down by US 43.1 billion dollars; RMB denominated deposit grew by 13.4 trillion yuan, foreign currency deposit down by US 63.4 billion dollar. In December, the monthly average weighted interest rate of interbank RMB market stood at 2.57%, the monthly average weighted interest rate of pledged bond repurchase at 2.68%;the balance of foreign exchange reserve was US 3.07 trillion dollars.In 2018, the cross border trade RMB settlement stood at 5.11 trillion yuan, direct investment RMB settlement at 2.66 trillion yuan.

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