

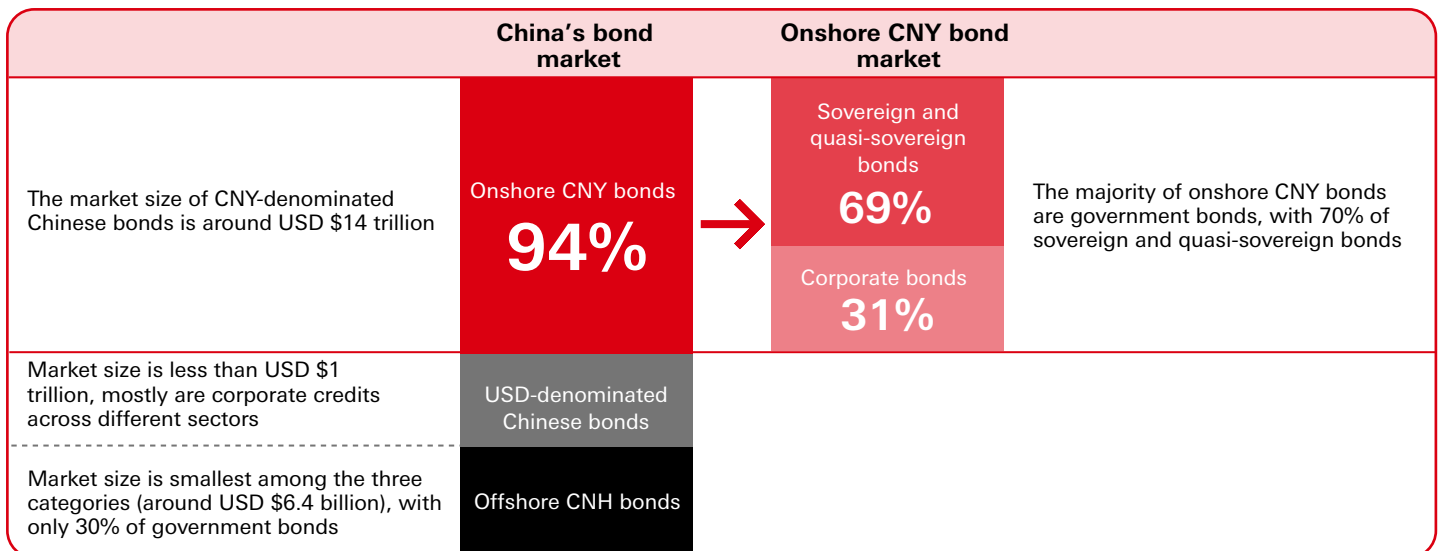


## Four facts about China's onshore government bonds

### 1 Dominate the onshore RMB bond market



China's bond market can be divided into three categories: onshore RMB (CNY), offshore RMB (CNH), and offshore USD-denominated bonds. Among them, CNY bonds make up the largest proportion of the market.

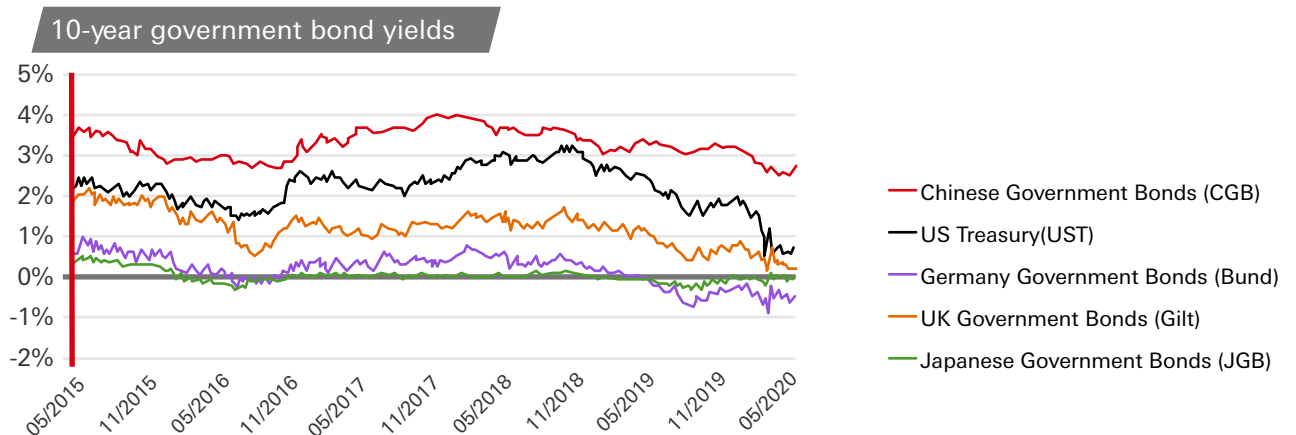


Sources: Bank of International Settlements (BIS), People's Bank of China, ChinaBond, Markit, JPMorgan, Wind, Bloomberg, HSBC Jintrust, HSBC Global Asset Management. As of January 2020.

### 2 Provide good income in the low yield environment



The world's major central banks have pushed their policy rates down close to zero or even into the negative territory. Hence, many countries' government bond yields have plunged to record lows. In this low yield environment, investors find it challenging to capture reasonable income. Nevertheless, China's onshore government bond yields are attractive compared to their counterparts in other major countries.



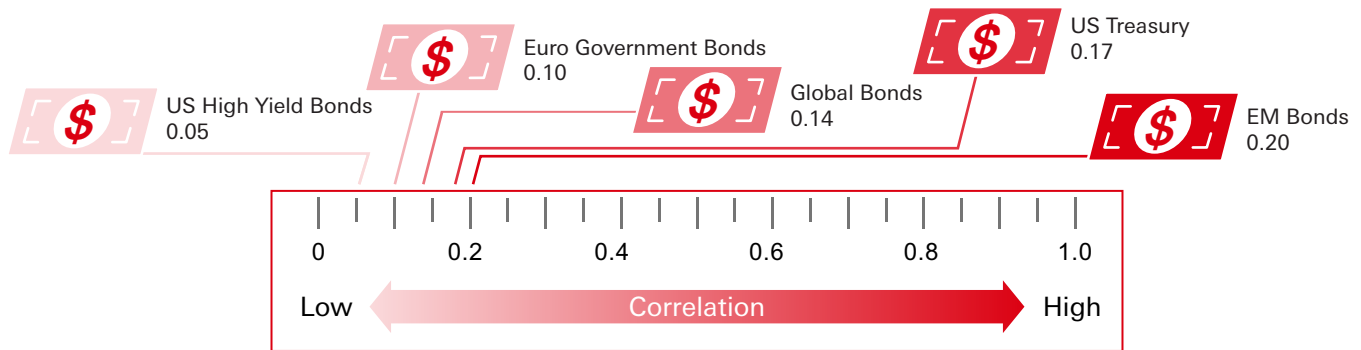
Sources: Bloomberg, HSBC Global Asset Management. As of 20 May 2020.

### 3 Diversify risks: lowly correlated with global bonds



The onshore CNY bonds, including government bonds, are lowly correlated with the world's other major fixed income assets. During market turbulence, CNY bonds can hedge risks as they diversify the income sources in the investment portfolio.

#### Onshore CNY bonds' correlation with world's other major bond markets



Sources: Bloomberg, HSBC Global Asset Management. Correlation calculated in local currency, using weekly data for the 3-year period as of 8 April 2020. Onshore RMB Bonds: ChinaBond Composite Index; Global Bonds: Bloomberg Barclays Global Aggregate Index; EM Bonds: JPMorgan GBI-EM Global Composite Index; US High Yield Bonds: BofAML US High Yield Index; US Treasury Bonds: Bloomberg Barclays US Treasury Index; BofAML Euro Sovereign Index

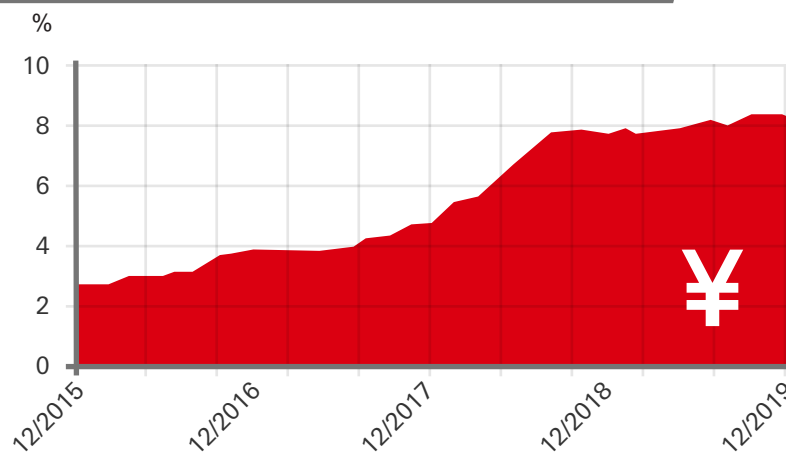
### 4 Internationalize: inclusion into global indices



Foreign ownership of China's onshore CNY bonds used to be low. However, as major global indices recently included Chinese government bonds, the market has attracted enormous global capital inflow. In recent years, the proportion of foreign investors holding onshore Chinese government and policy bank debt has been on the rise.

Date	Actions of Inclusion
April 2019	Chinese onshore bonds issued by government and policy banks were included into the Bloomberg Barclays Global Aggregate Index
February 2020	Chinese government bonds were included into the JPMorgan Government Bond Index Emerging Markets (GBI-EM)

#### Foreign holdings in Chinese government bonds rise



Sources: Wind, Bloomberg, HSBC Global Asset Management. Data as of March 2020.



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