

## Embracing Onshore and Offshore FIC Opportunities

- Mini USD/CNH Futures trading volume reached record highs
- Hong Kong listed bond market expanded in 1H
- Liquid markets on USD/CNH Futures and INR/USD Futures for market participants' risk management

## FX market highlights

### Strong momentum on Mini USD/CNH Futures

Thanks to the tremendous support from our exchange participants, liquidity providers and investors, the trading volume of Mini USD/CNH Futures contract recorded strong momentum with over 320,000 contracts traded as of the end of June since its launch on 26 April. Trading demand has remained high, with 13,448 contracts (US\$269 million) traded on 21 June, marking a new record high daily volume.

### Complement HKEX's RMB product suite

HKEX is the only exchange in the world with a full suite of RMB currency derivatives. Since the launch of USD/CNH Futures in 2012, we have expanded the product suite to offer a number of unique products. The development of our FIC products in cash and derivatives, underscores HKEX's commitment to enhance the breadth and attractiveness of our markets. Our wide range of listed currency derivative products have become important hedging tools for anyone with risk exposure to the RMB and Mainland China, from asset managers to commodity trading companies, exporters and importers. The addition of Mini USD/CNH Futures makes it easier for small-to-medium sized enterprises and individual investors to participate in HKEX's currency market.

### Benefits to the market participants

The key differences between the USD/CNH Futures and the Mini USD/CNH Futures contracts are the final settlement method and contract size. Mini USD/CNH Futures are cash settled in RMB, while USD/CNH Futures are physically settled, which allows investors to exchange the principal.

Market participants, including import-export companies which may have specific hedging needs, may utilise the Mini USD/CNH Futures to perform more precise hedging as the contract size is US\$ 20,000. The minimum investment is relatively low as the initial margin requirement per contract is reduced to around RMB 2,000 from around RMB 11,000 in the USD/CNH Futures contract, making it more suitable for individual investors and small-to-medium sized corporates.

The cash settlement feature meets demand from investors that have limited physical delivery capabilities or do not require full principal exchange to achieve RMB currency hedging of their investment. Investors can also benefit from greater capital efficiency, with a flexible collateral policy on RMB margin requirements as well as cross margining, as margin offset is offered between Mini USD/CNH Futures and USD/CNH Futures and Options contracts, as well as between Mini USD/CNH Futures and CNH/USD Futures contracts.

## USD/CNH Futures

In 2021, many of the world's major economies continued their recovery from the pandemic. China's GDP grew a record 18.3% and 7.9% in Q1 and Q2, compared with the same quarters last year. The US Federal Reserve gave signals on raising interest rate by late 2023 due to a rapid recovery of the economy from the effects of the pandemic. From June 2020 until the end of 2020, the CNH appreciated against the USD, though the rate has stabilised in 2021. We continue to see momentum in USD/CNH Futures during 1H 2021 with an average of over 6,000 contracts traded daily.

Total volume of USD/CNH Futures in Q2 2021 increased 2% to 355,490 contracts compared to Q2 2020, while the OI increased 4.9%.

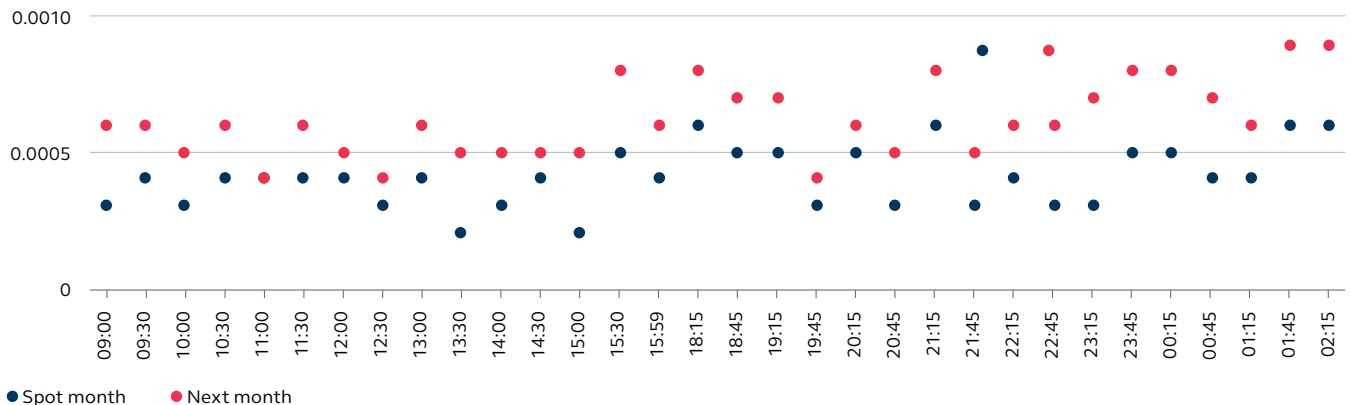


## USD/CNH FX spot



To further enhance the competitiveness of the USD/CNH Futures contract and appeal to a wider range of market participants, we have recruited various liquidity providers to support continuous quoting for T and T+1 sessions. Bid-ask spreads in the spot month are relatively narrow, at less than five pips during most of the trading sessions.

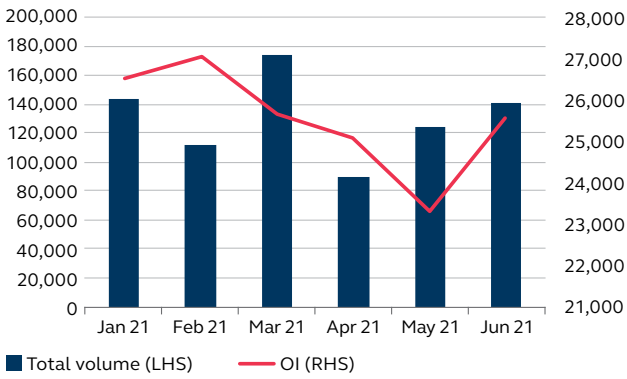
## USD/CNH Futures spot month bid-ask spread remains narrow in after-hours session



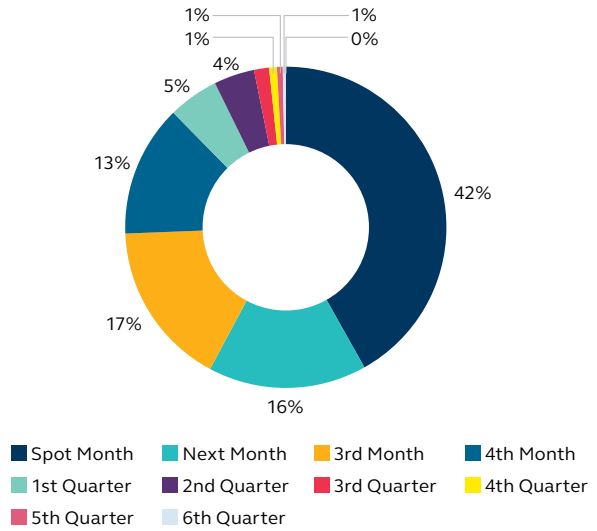
Source: Bloomberg  
 USD/CNH Futures data from 9:00 am until 4:00 pm on 1 Jun (T session) and 6:15 pm on 1 Jun until 2:15 am on 2 Jun (T+1 session).  
 The bid-ask spreads are based on 1 minute interval price data and are calculated as 30 minute average.



## Trading of USD/CNH Futures remains active



## Well-diversified volume



## INR currency futures

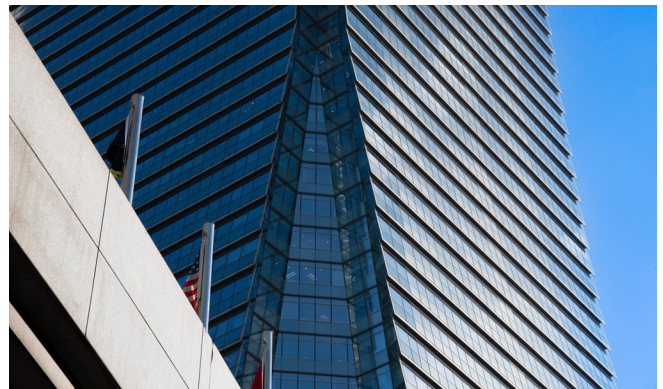
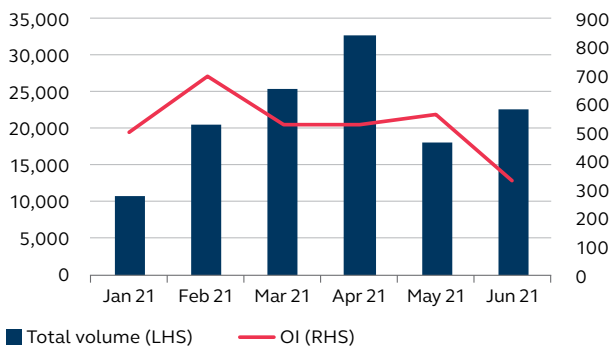
The monthly bulletin released by the Reserve Bank of India (RBI) showed that, the INR recovered in May, reflecting the net inflows of foreign portfolio investors due to rising confidence about an impending recovery in the economy. However, the INR weakened again in June, pressured by high global crude oil prices and the US Federal Reserve unwinding its stimulus policies.

## USD/INR FX spot



Overall, the trading volume of INR/USD Futures in Q2 2021 surged 148% as compared to that in Q2 2020, while OI increased by 29%.

## 1H 2021 volume and OI of INR/USD Futures



# Bond market highlights

## Hong Kong green bond market Developments

In January, the HKSAR Government announced the successful offering of US\$2.5 billion in green bonds under the Government Green Bond Programme. Among the three tranches of the offering, the US\$500 million 30-year tranche is the longest-tenor bond that has been issued by HKSAR Government and Asia's longest-tenor USD-denominated government bond.

The government, in the 2021-2022 budget, announced plans to expand the scale of the Green Bond Programme and issue green bonds on a regular basis. It proposed to expand the ceiling of the programme to HK\$200 billion, which would allow the government to issue green bonds with more diversity in currency types, project types, and issuance channels. The ultimate goal of this project is to mobilise more capital towards sustainable development

and develop Hong Kong as a regional hub in the green and sustainable finance market.

## iBond trading on SEHK

The 2021 inflation-linked bonds (iBond) started trading on our market on 24 June. On the first day of listing, the turnover reached HK\$3.2 billion, marking the highest first day turnover and surpassing the previous record of HK\$1.80 billion for a 2016 issuance. For this issue, 22.1% of subscriptions were through HKSCC, an increase of 117% from 10.2% of the previous issue in November 2020.

Key Features of Secondary Trading on SEHK

- Transparent on-screen prices
- Efficient auto-matching market
- Settlement certainty through HKSCC

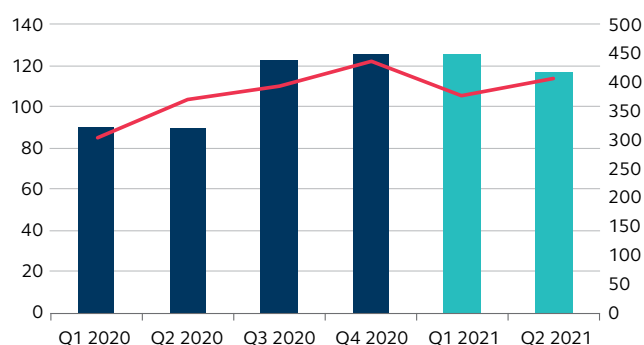
## Data of previous and current issuance

Year of issuance	Listing date	Turnover on listing date (HK\$ million)	Closing price on listing date (HK\$)	% increase from face value as of end of first trading day
2011	29 Jul 2011	159	106.70	6.70%
2012	25 Jun 2012	708	105.00	5.00%
2013	25 Jun 2013	1091	103.15	3.15%
2014	12 Aug 2014	1548	105.15	5.15%
2015	10 Aug 2015	1772	105.50	5.50%
2016	21 Jun 2016	1804	103.35	3.35%
2020	17 Nov 2020	946	102.75	2.75%
2021	24 Jun 2021	3240	103.20	3.20%

## Hong Kong bond market at a glance\*

The listed bond market continued to gain momentum in the first half of the year. We welcomed 244 bonds to our market, raising more than HK\$791 billion, up 34.8% and 16.6%, respectively, from the same quarter in the previous year. Among the newly listed bonds in the first half of the year, a total of 42 ESG bonds were issued, surpassing the 2020 total issuance of 18 ESG bonds.

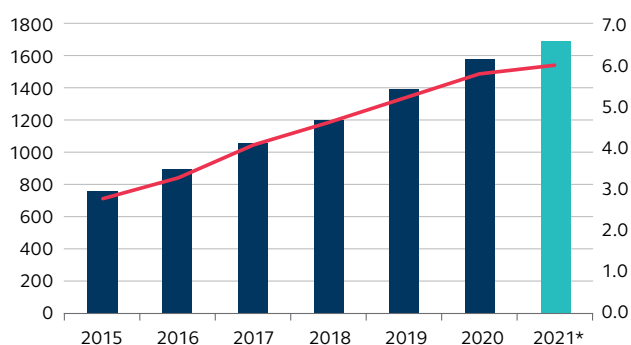
## Bond issuance and issued amount



■ Number of bonds listing on HKEX (LHS)  
— HKEX issued amount in HK\$ billion (RHS)

As of 30 June this year, there were a total of 1,680 outstanding bonds listed on our market, with a total amount of around HK\$6 trillion.

## Total issuance and issued amount has increased

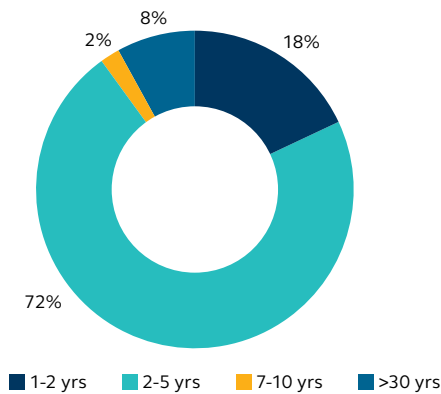


■ Number of outstanding bonds (LHS)  
— Nominal value in HK\$ trillion (RHS)

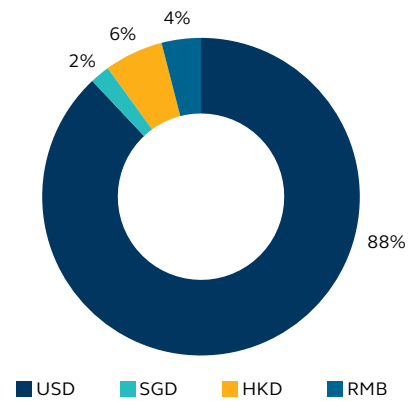
\* Data as of Jun 30



## 2 to 5 Year bonds dominate listings



## USD-denominated bonds dominate new listings



## Staying in touch

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. If you would like to contact us, please email [FICD@HKEX.COM.HK](mailto:FICD@HKEX.COM.HK).

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