AN ILLUSION-FREE TAKE ON CHINA'S BOND MARKET

Many milestones have been passed since paramount leader Deng Xiaoping announced China's "Open Door" policy in 1978. Since that historic pronouncement, lifting more than 800 million people out of poverty, according to World Bank analysis,[1] has been the country's greatest achievement.

The magnitude of China's anti-poverty success has been so remarkable that everything else seems prosaic by comparison. Policies directed towards raising living standards have been prioritised and so financial markets liberalisation has taken a bit of a back seat and been marked by incremental change.

China first opened its capital markets in 1992 when B-shares were made available to foreign investors. That's been followed by a series of regulatory reforms including the launching of the qualified foreign institutional investor (QFII) and renminbi-Qualified Foreign Institutional Investor (RQFII) schemes, the China Interbank Bond Market Access Scheme (CIBM), and the Stock Connect and Bond Connect programmes.

For fixed income investors, the advent of Bond Connect last July was a signature moment underscoring the country's desire to eventually become a full participant in the global financial system. For more on the significance of this see *Bond Connect, a game changer.*

BOND CONNECT, A GAME CHANGER

China has eschewed the kind of big bank financial reforms that would be applauded by market purists outside the country. Instead, there has been gradualism and caution recalling Deng Xiaoping's famous words: "Crossing the river by feeling the stones."

So rather than a single dramatic act, since 2002 China has progressively opened its bond market, initially using quotas starting with the QFII and RQFII schemes, followed by quota-free access to the China Interbank Bond Market (CIBM), introduced in two steps in 2015 and 2016.

The first step opened China's bond market to foreign central banks and sovereign wealth funds, while the second step granted access to a much wider range of institutional investors, including commercial lenders, insurance companies, securities firms and asset managers (but still excluding short-term or "speculative" investors).

CIBM access was followed last July by the introduction of Bond Connect – a move considered by many as the most significant step forward for the Chinese bond market. Until Bond Connect and the quota-free CIBM Access Scheme, foreign investors had to go through an onerous process of opening an account, applying for local currency quotas and finding an onshore clearing agent with international settlement capability.

Those kinds of wrinkles have been consigned to history and now foreign investors can buy Chinese debt directly through Bond Connect thanks to mutual access arrangements for trading, custody and settlement.

There is no longer a requirement to retain onshore deposits: investors can repatriate any surplus renminbi (RMB) to Hong Kong automatically, daily. Likewise, investors can now hedge currency using both onshore and offshore derivatives. Previously, hedging was only allowed with offshore instruments.

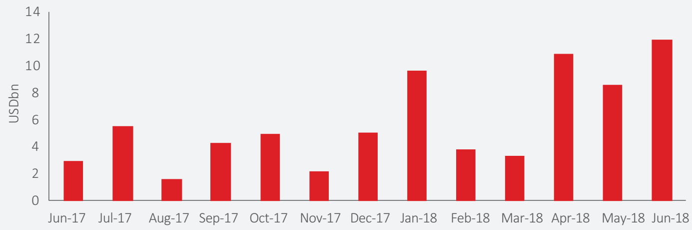
Moreover, foreign investors now can trade electronically, which allows for improved price discovery directly with China Foreign Exchange Trade System & National Interbank Funding Center (CFETS) dealers, improved liquidity and executable size.

Risk management too is improved as investors can use Non-Deliverable Interest Rate Swaps to manage interest rate risk, as well as CNH (offshore yuan) futures and forwards for currency risk.

Investors' initial response to the Bond Connect was very positive as about 70 offshore investors participated in the first day of trading recording 142 transactions, totalling RMB7.05 billion (US$1.04 billion). Since then the value of transaction has climbed to US$20 billion[2] (**Figure 1**).

Figure 1: Foreign investors push ahead with Chinese government bond investments

Offshore investments in China government bonds (USD)



Source: CEIC, HSBC

SIZE IS IMPORTANT, BUT SO TOO ARE OTHER FACTORS

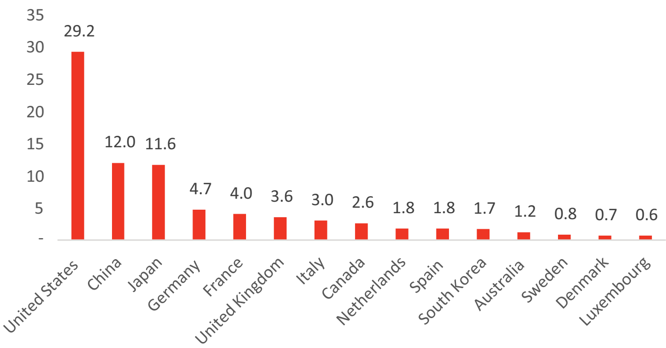
Just as China's USD6 trillion equity market[3] became too big for the world's investors to ignore, so too is the country's USD12 trillion bond market.[4] Thanks to the country's vast savings pool, China's debt market — the overall bond market as well as the corporate bond market — is the world's second largest having recently surpassed Japan's with only the US ahead (**Figure 2**).

Prospects for market growth are high as Beijing has shown a willingness to increase fiscal spending to offset any slowdown in private and local government investment.

Bond issuance by local governments is also likely to rise as the central government is curbing the former's ability to raise finance through informal channels and directing them to more open channels such as bond financing.

Figure 2: The Chinese bond market is the world's second largest

Total debt outstanding (USD trillion)



As at 6 July 2018
Source: Bloomberg, QIC

Market size is an indisputably important consideration, but cannot be the sole drawcard. Being able to invest and transact freely, an unimpeded ability to repatriate capital, independent credit ratings for both sovereign and corporate bonds, and inclusion in the best-known indices are no less important.

China's bond market is divided into two distinct sub-markets: the Inter-Bank Bond Market, regulated by the People's Bank of China (PBoC, China's central bank), and the Exchange Bond Market which falls under China's Securities Regulatory Commission. The former represents more than 90 percent of trading volume and total bonds outstanding (**Figure 3**).

Figure 3: Categories in China Interbank Bond Market

	Bond Type	Share	Issuing Entity
Rates Bonds	Government Bonds	17.64%	Ministry of Finance
	Local Government Bonds	19.69%	Local governments
	Policy Bank Financial Bonds	17.65%	CDB, ADBC and EXIM
Credit Bonds	Local SOE	32.15%	Various
	Central SOE	7.30%	Various
	Non SOE	5.57%	Various

Source: BNP, QIC
SOE = State Owned Entity
CBD = China Development Bank
ADBC = Agricultural Development of China
EXIM = Export-Import Bank of China

"Socialism with Chinese characteristics" means that that the country's economic and financial system will likely remain a few step short of a Chicago-school ideal, but financial markets participants are pragmatists, and Chinese policymakers have progressively sought to meet foreign investors at least half-way.

Recognising this, Bloomberg announced in March that the Bloomberg Barclays Global Aggregate Index is likely to include Chinese yuan-denominated government and policy bank securities beginning April 2019. Once the inclusion has been completed, the Bloomberg benchmark will include roughly 386 Chinese securities which will represent about 5.49 percent of the USD52.9 trillion index.[5]

The addition of the securities will follow operational enhancements to be implemented by the PBoC and Ministry of Finance, and will be phased-in over a 20-month period with the process expected to be completed by November 2020.

With Bloomberg having taken the lead by announcing the inclusion of China bonds into its index, investors will likely be closely monitoring to see if FTSE Russell[6] Fixed Income indices will do the same for its World Government Bond Index (WGBI), and if JP Morgan will also follow suit for its Government Bond Index- Emerging Markets (GBI-EM). We believe they are likely to follow suit in 2019 or 2020.

The coming inclusion of Chinese bonds in the key Bloomberg index has been brewing for a while and in preparation for this, index providers have launched shadow indices in recent years which include China.

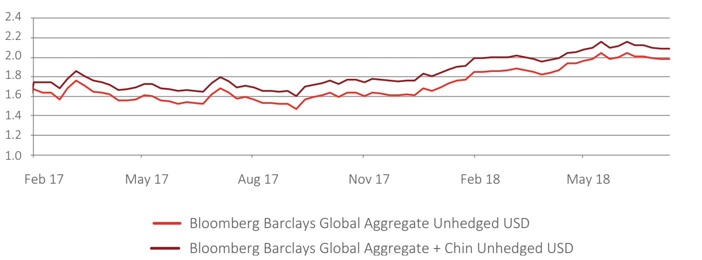
For Australian as well as international investors, the Chinese bond market provides a way of accessing the China story in a way that differs from the usual interactions between China and the world.

In short, the global economic perspective of China distils down to two broad considerations. Firstly, China as a source of capital. Secondly, China as an export destination for goods and services.

By contrast, buying Chinese government bonds as well as Chinese corporate bonds enables participation in China's evolution differently. For fixed income portfolio managers, benefits include greater yield (**Figure 4**) as well as the diversification offered by a government that has very different fiscal and monetary cycles to developed markets.

Figure 4: The yield advantage from investing in Chinese bonds

Yield to worst (%)



Source: Barclays Live, QIC. China comprises ~5% of the Global Aggregate + China Index

We think that this diversification is the greatest benefit Chinese bonds can bring to fixed income portfolios. This derives from the reduction in return volatility due to the lower correlation of CNY bond yields to movements in global interest rates (Figure 5).

Based on the performance of the shadow Global Aggregate + China Index (with a China weight of approximately 5 percent), we estimate that the risk-adjusted returns of the Bloomberg Global Aggregate Index would have improved by 10- 15 basis points per annum in the last five years if onshore China bonds were included.

Figure 5: Chinese onshore bonds exhibit low correlation with their global peers

Weekly correlation of 10-year government bonds (July 2013-July 2018)

	US	Australia	Germany	China	Global Agg
US	1.0	0..71	0.21	0.18	0.94
Australia		1.0	0.20	0.15	0.73
Germany			1.0	0.11	0.27
China				1.0	0.23
Barclays Global Aggregate					1.0

Source: Bloomberg, QIC
Global Aggregate represents yield to worst of Bloomberg Global Aggregate Index

China's lower historical volatility and correlations can also be attributed to the pegged currency regime prior to August 2015, as well as a lack of integration with global financial markets. While the renminbi is now under a managed float regime, it is likely to move towards a true floating regime over time and the bond market may continue to become more integrated with global assets as capital controls are eased.

But that's in the future. Now and into the medium term, domestic factors will remain the drivers of Chinese bonds.

Benefits deriving from Chinese bonds are not a one-way street: foreign investors alone won't be the potential beneficiaries.

China too will benefit from greater foreign participation and index inclusion beyond attracting portfolio flows and further establishing the relevance of the RMB. For example, by diversifying sources of capital China can reduce systemic risk in the banking sector.

An increase in investor demand should allow for the issuance of longer-dated bonds, helping China develop its local yield curve. In turn, this can allow for better pricing of risk for the local corporate bond market (i.e., price discovery) which will help facilitate a shift from onshore bank financing to capital market financing.

The PBoC has expressed a strong desire for more Chinese companies to obtain financing in local corporate bond markets in order to reduce systemic risk in the banking system. Additionally, over time, there is likely to be an increase in foreign entities issuing bonds onshore that are denominated in RMB.

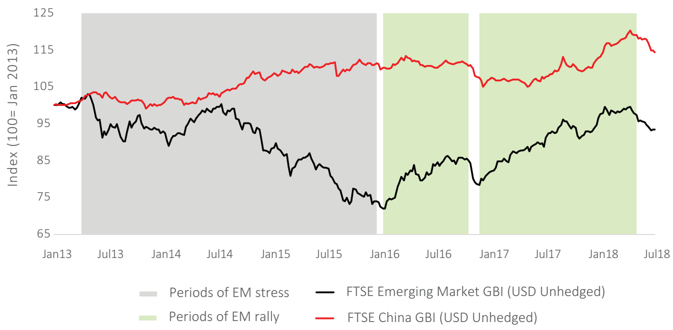
CHINA IS BEYOND AN EMERGING MARKET

Owing to factors including the solidity of China's macroeconomic and monetary framework, its bonds generally don't offer a yield advantage relative to other emerging markets (but do so compared to developed country bonds).

In fact, because of their relative safety, Chinese government bonds have historically outperformed the broad local currency index during periods of heightened risk aversion towards emerging markets and lagged during market rallies (**Figure 6**).

Figure 6: China's policy framework allows it to have a low correlation with emerging markets

Cumulative returns EM vs China (%)



Source: CitiVelocity, QIC
5-7 year maturity buckets are used for comparison purposes

During the "Emerging Markets Debt Bear Market," a period roughly beginning with the taper tantrum in April 2013 and ending with the bottoming of commodity prices in January 2016, China significantly outperformed the broad local currency emerging markets debt asset class.

However, much of this outperformance was reversed in the period since as emerging markets fundamentals, the global macro backdrop, and investor sentiment towards the asset class improved. Nevertheless, China significantly outperformed over the full period on both an absolute and risk-adjusted basis (**Figure 7**).

Figure 7: Higher risk-adjusted returns of Chinese bonds vs. emerging markets bonds is a positive feature

	FTSE Emerging Market GBI (USD Unhedged)	FTSE China GBI (USD Unhedged)	FTSE WGBI (USD Unhedged)
Annualised Return	-1.24%	2.47%	-0.28%
Annualised Volatility	9.71%	4.13%	5.57%
Return/Vol	-0.13	0.60	-0.05

Source: CitiVelocity, QIC
5-7 year maturity buckets are used for comparison purposes

While China's inclusion in the indices will ensure passive investment flows (see *Foreign investment impact* on next page for our take on how much foreign capital is likely to flow into the Chinese bond market), China's immense bond market greatly expands the investment universe and represents a new opportunity for active fixed income investors as well.

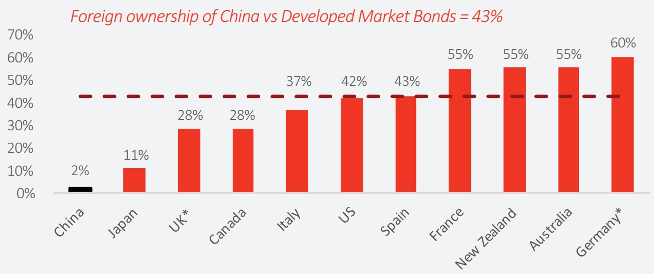
FOREIGN INVESTMENT IMPACT

Until the advent of Bond Connect, the onshore bond market was difficult to access. Thus, despite its size, foreign investors own less than 3 percent of the market versus an average of 43 percent foreign ownership across a number of developed country markets including those of Germany, France, the UK and Australia (**Figure 8**).

The degree of foreign ownership is also well below levels of regional peers, such as Indonesia and Malaysia where foreign investors own 37 percent and 25 percent, respectively, of outstanding government bonds: the Asia-Pacific region average is 14.36 percent.[7]

Figure 8: Foreign ownership of Chinese bonds is far below the norm

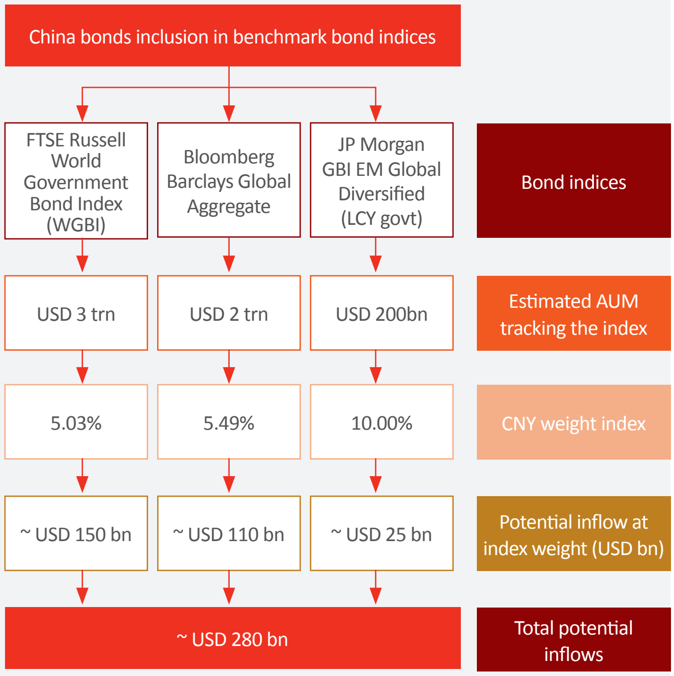
Foreign ownership of Chinese and developed market bonds



*2018 data for all but UK and Germany
Source: HSBC, CEIC, Datastream, various central banks

Clearly, there's plenty of room for foreigners to become bigger owners of Chinese bonds. How much bigger is a subject of much conjecture (**Figure 9**).

Figure 9: Anticipated passive flows from China Bond index inclusion



Source: Media sources, including Reuters, Bloomberg, and CNBC, and estimates by Barclays Research

One potentially significant catalyst should be the coming inclusion of Chinese bonds in bellwether global and emerging markets fixed income indices which could lead to passive inflows of about USD280 billion, representing about 7 percent of the current face amount of outstanding Chinese Government Bonds (CGBs) and Policy Bank bonds.[8] That's a large sum of money in any language.

However, initial inflows could turn out to be a little lower as China will be phased into indices over an extended period.

Consequently, the initial impact on bond prices of new foreign demand for CGBs will likely be restrained. With a market capitalisation of ~USD4 trillion (treasury and policy bank bonds), and annual issuance averaging USD878 billion in the past three years[9], the additional foreign demand for bonds expected after index inclusion can easily be absorbed by the market without raising volatility significantly.

Domestic institutions, especially China's commercial banks will likely remain the largest participant in the local bond market and they are long term holders as part of reserve ratio requirements.

It is possible — desirable even — that active foreign investors step-up CNY bond buying ahead of formal index inclusion for reasons of first mover advantage (smaller price premium given still low foreign ownership).

This may particularly be the case for unconstrained investors that can invest freely without reference to any index and for active benchmark-driven investors (in contrast to "passive" benchmark-driven investors, who will have to wait for China to be officially included in major fixed income indices before buying the associated bonds.)[10]

Of late, capital flows into emerging markets have come under pressure owing to the increasingly unpredictable policy environment. Against this tide of emerging markets bond outflows, investors have been swimming to onshore China bonds, particularly government bonds.

Non-resident holdings of China bonds surged by USD13.2 billion in June,[11] the largest monthly flow on record. Similar to the consistent monthly demand seen so far this year, most of the latest purchases were skewed towards CGBs.

Overseas demand for CGBs remained strong, despite sharp currency weakness during June, reflecting a structural rise in demand for China bonds. Finally, on a year-to-date basis, foreign investments in CGBs reached USD48 billion in June, far exceeding the annual inflows of USD27 billion in 2017.[12]

It just goes to show that there's plenty of demand for Chinese bonds.

GREATER MONETARY POLICY CLARITY DESIRED

Foreign exchange risks are important considerations for fixed income portfolio managers, as currency returns can form a sizeable portion of bond returns.

The PBoC's communication style on exchange rate policies has been difficult for foreigners to discern. Policy communication appears less clear compared with that of other major central banks such as the Federal Reserve, European Central Bank and the Bank of Japan. Consequently, investors have resorted to market commentary and/or media reports to help them interpret policy statements.

Moreover, the PBoC has tended to adjust "policy" rates and policy parameters such as the reserve requirement ratio (RRR) outside of its scheduled quarterly monetary policy committee meetings.

After China fully liberalised its interest rates in October 2015, the PBoC dropped the 1-year deposit and bank lending rates as policy rates, and shifted to a market-based monetary policy framework. Specifically, the PBoC shifted to targeting the 7-day interbank repo rate.

Myriad "policy rates" open market operations aimed at impacting liquidity and lending activity in different segments of the funding market, adds to the complexity of the framework.

China's policymakers are aware that integrating with the global financial system requires improvements on such fronts. There's no reason to think that won't eventually occur.

CORPORATE BONDS DRIVEN BY DOMESTIC FACTORS

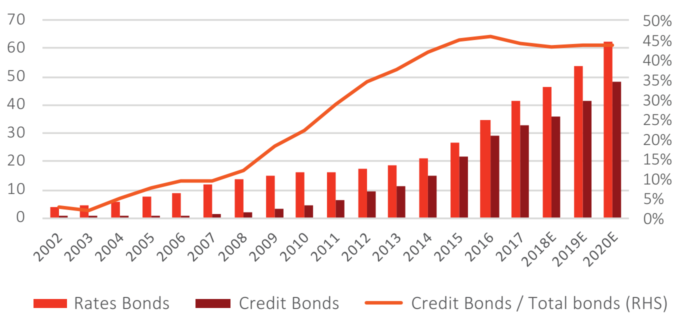
Active investors hungry for a yield advantage may wish to consider carefully delving into the Chinese corporate bond market. That in turn sets off a range of issues requiring forensic analysis stretching from the economic cycle to the credit environment to potential default rates to the role of ratings agencies, just to name some.

While we have outlined many reasons for government/top-down driven growth in the Chinese bond market, there are bottom-up reasons as well. For many years China's banks were the key source of debt funding to local businesses – leaving investors with limited opportunities to participate. That's now changing as borrowers look to tap longer term sources of finance and to diversify their investor base.

After a slow start, China's credit bond market has grown at a rate of 49 percent per annum since 2002, outpacing the government bond market, which has grown 22 percent a year over the same time[13] (**Figure 10**).

Figure 10: The credit bond market is a significant part of China's bond market

Debt outstanding (RMB tn)



Source: BNP

See *China's corporate bond market at a glance* (on next page) for a current snapshot of the country's credit market.

CHINA'S CORPORATE BOND MARKET AT A GLANCE[14]

Market size

Total corporate bonds outstanding in China as of May 2018 was USD2.8 trillion, equivalent to 22 percent of China's 2017 GDP.

Issuers by sector and ownership

State-owned enterprises (SOEs) dominate the credit bond landscape. As of May 2018, 85 percent of outstanding credit bonds were issued by either local government owned or central government owned SOEs. Understanding not only the ability of the local or central government guarantors, but their willingness to guarantee or implicitly guarantee is important in Chinese credit analysis.

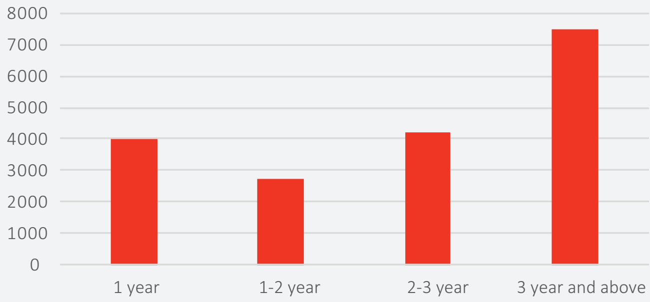
Default rates have been significantly lower for SOEs than privately owned enterprises and this differential is now more firmly established in credit spread tiering. SOEs have better access to financing and greater implicit guarantees from the state, particularly central SOEs.

Duration

The average duration of corporate bonds issued in 2017 was ~2.9 years. If short-term financing bond and medium-term notes are removed, then average duration was 4.7 years. For the RMB18.7 trillion of corporate bonds outstanding at May 2018, 22 percent will mature within one year (**Figure 11**).

Figure 11: Outstanding corporate bond breakdown by maturity

RMB bn



Source: J.P. Morgan

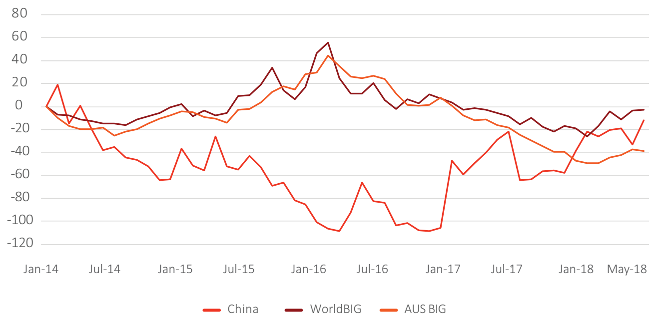
Aside from market size which makes it impossible to overlook, there are other reasons for adding Chinese credits to fixed income portfolios: chief being diversification thanks to the low- negative correlation between Chinese credit spreads and global investment grade credit spreads (**Figure 12**).

Due to the combination of a massive domestic savings pool, the vastness of the domestic economy and its relative isolation from global markets as well as restrictions on Chinese citizens' overseas investments, Chinese spreads have been driven by local factors not global trends.

This contrasts with Australian credit spreads, which have a relatively high and positive correlation with the global credit market. Australian companies source a substantial portion of their debt from global markets and thus their spreads tend to move with global currents.

Figure 12: Low- negative correlation between Chinese credit spreads and global investment grade credit spreads

Relative credit spread history (OAS bps, starting point of January 2014)



Source: CitiVelocity

MARKET DISCIPLINE DEVELOPING IN A CAREFULLY MANAGED PROCESS

The carefully managed evolution of China's corporate bond market is more evidence of Deng's "Crossing the river by feeling the stones" mantra in action.

Historically, Chinese corporate bond default rates were remarkably low compared to those of their Western counterparts, stemming from the fact that Beijing has long acted as an effective guarantor, wary of the social consequences of corporate failures.

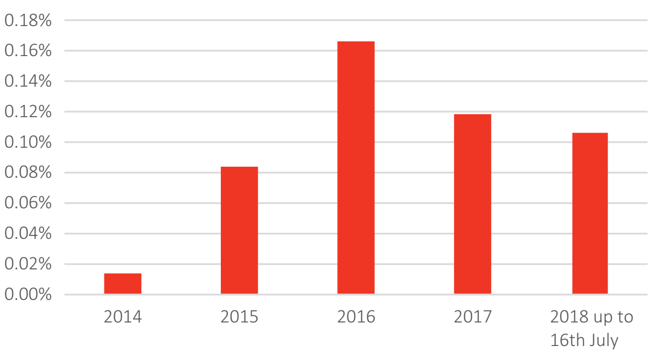
China issued the first corporate bond in 1983, but it was only in 2014 that it experienced the first bond default when a solar energy company (Chaori) announced that it was not able to meet bond interest payments. Even then, the workout process was very carefully managed to minimise the impact.

It's evident that the authorities are still closely managing the market. This is discernible from the slowdown in the default rate in 2017 even as the economy slowed.

The clear message is that defaults are only allowed when the market is strong enough to handle the disruption (**Figure 13**). Any contagion risk will continue to be swiftly met by some form of support until the market is mature enough to cope on its own.

Figure 13: More defaults are being allowed as market matures and economy permits

Corporate bond default rate (%)



Source: Ping An Asset Management Company

This is perhaps one of the clearest example of China's approach to opening up markets under the philosophy of "socialism with Chinese characteristics for the modern era." The risk pricing of China's financial assets has also been distorted by the practices of "implicit guarantees" from banks that go beyond those from the central government.

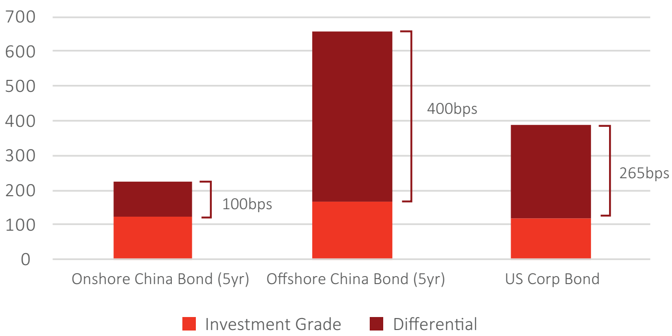
One example was banks bailing out investors who bought wealth management products with a 3-5 percent yield but expect zero risk on principal and interest. Other distortions include local governments providing implicit guarantees on debts of local government financial vehicles (LGFVs) or local SOEs.

This shows up in quirks such as the credit spread for investment grade bonds in China looking on a par with its global peers, while the incremental premium for high yield bonds over investment grade bonds in the onshore China market looks too thin (**Figure 14**).

From our credit analysts' perspective, Chinese onshore corporate bonds rated AA and below by local rating agencies are generally considered to be equivalent to high-yield (HY) bonds in the offshore bond market. (A broader discussion on local rating agencies can be found on the next page.)

Figure 14: Market pricing not sufficiently discriminating between IG and HY risks in onshore bond market

IG vs HY credit spread differential (bps)



Source: J.P. Morgan, CFETS. China onshore AAA bonds are assumed to be investment grade and onshore AA bonds are assumed to be high yield.

There are reasons to be positive for greater pricing discrimination ahead.

As credit market pricing becomes more disciplined, companies with strong financials are likely to enjoy lower funding costs, while those with weak financials will have to offer higher spreads to entice investors.

Furthermore, improving risk pricing is a necessary condition for the healthy development of China's corporate bond market, particularly for HY bonds. This could provide more transparent financing channels for companies which currently are relying on shadow banking sources. Such developments would reduce overall financial system risks.

It's a fair question to ask whether the rise in corporate bond defaults could become systemic rather than simply reflecting more market discipline. Is there a risk of a hard landing?

This is undoubtedly a fine balancing act for the PBoC – wanting to achieve SOE reform by removing implicit guarantees on wealth management products versus maintaining financial stability to foster gradual reform.

We believe that defaults will continue on a managed basis and that the government, unlike many in the West, has multiple policy levers at its disposal to ensure the rise in the default rate does not become a systemic risk.

In contrast with the granular picture emanating from some individual issuers, the big-picture fundamental story for Chinese corporates is reassuring. Increased market discipline is having an impact. Earnings for publicly listed companies jumped 23.9 percent in 2017, while cash flows have markedly improved since 2016.[15]

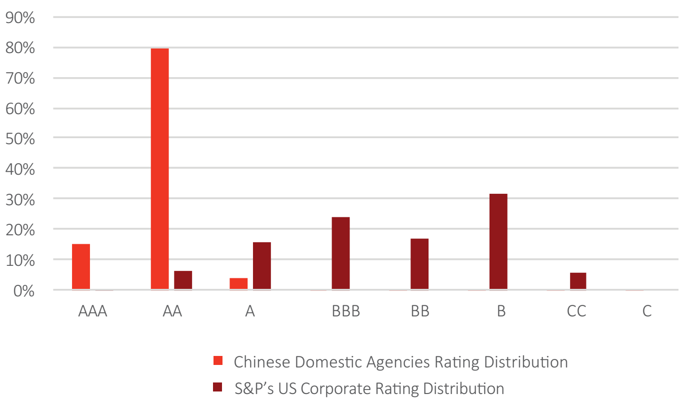
The stronger earnings combined with lower debt levels means that corporate debt is now better covered. Both the net liability-to-EBITDA and interest coverage ratios of A-share non-financial firms have noticeably improved in recent years. The average cash-to-short-term debt level of listed Chinese companies also remains high at north of 0.8 times despite the tightening credit conditions and leverage has crept lower.[16]

AN EVOLVING CREDIT RATING SYSTEM

The reality that companies which get into trouble may be allowed to fail has raised awareness of the difficulties assessing the credit worthiness of mainland Chinese companies. It's difficult to rely on the work of local rating agencies who have tended to rate most companies within a very narrow range.

Overseas investors — who have become increasingly active in the onshore market — are encountering a system that does not closely resemble the grading structure found elsewhere. This becomes clear when contrasting the profile of Chinese onshore ratings against Standard and Poor's (S&P) US corporate ratings profile (**Figure 15**).

Figure 15: Significant differences between Chinese onshore ratings and S&P's US corporate ratings



Source: WIND, Standard and Poor's

Clearly, an architecture of independent ratings will have to be gradually constructed. A global-standard credit-ratings industry cannot be engineered overnight.

The big global rating agencies have had a China presence for over a decade, but have been limited to minority stakes in joint ventures with their roles largely confined to management expertise, technical support on rating methodologies and training of analysts. Moreover, their ratings output has been subject to local sensibilities.

Regulatory changes giving foreign rating agencies the ability to build their own on-shore businesses have only occurred recently. It's likely to be several years before they have the resources and critical mass to truly influence the credit market.

Meanwhile, foreign investors looking to put money to work onshore will need to do their own homework.

LOCAL KNOW-HOW IS CRUCIAL

Recent corporate bond defaults should not be cause for concern about the overall health of Chinese corporates. Instead, they should serve as a reminder of the need for meticulous on-the-ground research to unearth quality companies in a market that offers investors attractive investment opportunities, but also its share of potential trip-wires.

History shows that it's difficult to identify companies that are prone to default risk based purely on their reported financial statements. Chinese capital markets are not yet subject to the strict governance, information disclosure and audit requirements associated with more developed markets.

As the market continues to evolve and President Xi's anti-corruption drive continues to rage, transparency is improving, but it can still be patchy. There have been instances of fraud and inaccurate financial reporting, and some issuers are guilty of infrequent releases of vital information and performance updates.

Local investment managers stress the importance of independent forensic analysis of company pronouncements. Unearthing an accurate picture of companies requires frequent field trips, talking to customers, employees, local government officials and even local taxi drivers.

There's no country that entrances Westerners like China. Its perception as a land of boundless riches gave rise to the notion of the "golden illusion" of China.

During the Industrial Revolution, Manchester mill owners fantasised about the wealth they could gain by selling socks to the people of China.

This tendency to view China through an overly imaginative lens, an exotic fantasy even, persists to this day. It also derives from a touch of naivety or maybe arrogance. Thinking that the business models that work well in the likes of Australia or the United States will successfully translate to China is both naïve and arrogant.

Many Western companies have found this out to their cost. Any securities investor who argues that their task is more straightforward because it is largely analytical rather than operationally complex or consumer-facing is being flippant.

Rather than going it on their own or trying to replicate in China what works in their home markets, they would do well to develop deep relationships with local counterparts to become familiar with Chinese norms. Alternatively, they could select a Western investment manager with strong local partnerships.

Of course, it won't be one-way knowledge transfer. Western investment managers do have much to contribute. For instance, they can help Chinese partners market their services to the global investment market, implement global-standard bond analysis and risk management practices.

There's so much that can be gained by participating in China's immense bond market. It provides another front seat in the return to global standing of a historically important civilisation.

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FOR MORE INFORMATION

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