

6. Bond Market

The total volume of bond issuance recorded a decrease for the year 2023. New issues of bonds stood at NT\$1,580.0 billion, dropping by NT\$72.7 billion over the previous year. At the end of 2023, the total outstanding bonds issued amounted to NT\$16,952.2 billion, an increase of NT\$633.1 billion or 3.88% from the previous year end.

To support debt refinancing operations of the Central Government Debt Service Fund and to raise funds for the central government general budget and special budget, central government bond issuance for 2023 reached NT\$478.0 billion, down by NT\$42.1 billion over the previous year.

Issuance of corporate bonds in the year totaled NT\$773.3 billion, significantly rising by NT\$300.2 billion from a year before, primarily resulting from higher corporate funding needs.

Bank debenture issuance amounted to NT\$62.7 billion, a substantial decrease of NT\$86.2 billion compared to the previous year, largely because banks held sufficient capital and reduced the issuance of subordinated bank debentures.

NT dollar-denominated foreign bonds issued in Taiwan by foreign institutions stood at NT\$3.9 billion, slipping by NT\$6.9 billion from 2022. Meanwhile, foreign currency-denominated international bonds issued in Taiwan by foreign institutions contracted by NT\$251.5 billion over the previous year to NT\$242.4 billion.

In the secondary market, the Fed's policy rate hikes drove up US Treasury yields, leading to an upswing in Taiwan government bond yields. The yield on 10-year government bonds averaged 1.21% in 2023, 12 basis points higher than the previous year.

Moreover, annual transactions reached NT\$35,406.4 billion, increasing by NT\$1.5 billion compared to the previous year.

Slide in Government Bond Issuance

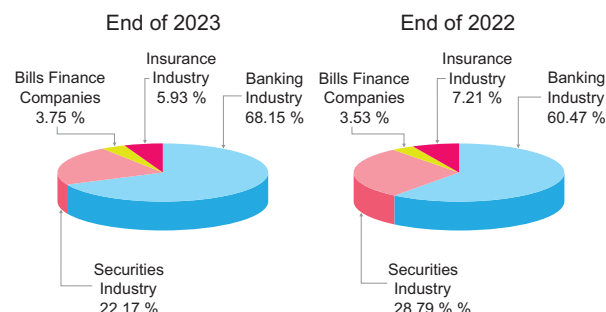
In order to support debt refinancing operations of the Central Government Debt Service Fund and to raise funds for the central government general budget and special budget, central government bond issuance amounted to NT\$478.0 billion in 2023, down by NT\$42.1 billion from a year ago. Government bonds were available with various maturity periods from 2 years, 5 years, 10 years, 20 years, to 30 years.

Broken down by institutional investor, bonds held by the banking industry made up the lion's share at 68.15%, primarily on account of higher demand for government bonds by Chunghwa Post.

The securities industry came in second with a smaller share than the previous year at 22.17% as profits from spread trading narrowed. Meanwhile, the share of bonds held by the insurance industry decreased to 5.93% mainly because the insurance industry increased their external investment positions, leading to a decline in the share of bond holdings.

As of the end of 2023, the total outstanding amount of central government bond issuance stood at NT\$5,912.5 billion, up by NT\$113.0 billion or 1.95% compared to 2022.

Shares of Government Bond Holdings (by Institutional Investor)



Source: Department of the Treasury, CBC.

In addition, new bonds issued by the governments of all special municipalities in 2023 reached NT\$19.7 billion. At the end of the year, the outstanding amount of bonds issued by the governments of all special municipalities stood at NT\$147.6 billion, a decrease of NT\$3.1 billion or 2.02% from the previous year end.

Issues and Outstanding Values in Bond Market by Category

Unit: NT\$billion

Year/ Month	Total		Central Government Bonds		Local Government Bonds*		Corporate Bonds		Bank Debentures		Beneficiary Securities**		Foreign Bonds		Int'l Bonds	
	Issues	Outstanding	Issues	Outstanding	Issues	Outstanding	Issues	Outstanding	Issues	Outstanding	Issues	Outstanding	Issues	Outstanding	Issues	Outstanding
2021	2,690.6	15,947.1	617.0	5,674.5	66.6	164.9	723.7	2,983.9	135.2	1,234.0	0.0	5.3	10.6	51.6	1,137.5	5,833.0
2022	1,652.7	16,319.1	520.1	5,799.5	0.0	150.7	473.1	3,125.2	148.9	1,255.4	5.9	11.2	10.9	55.1	493.9	5,921.9
2023	1,580.0	16,952.2	478.0	5,912.5	19.7	147.6	773.3	3,564.4	62.7	1,221.5	0.0	5.9	3.9	50.0	242.4	6,050.2
2023/ 1	108.4	16,349.2	48.0	5,822.5	0.0	148.7	51.2	3,135.4	4.5	1,252.1	0.0	10.1	0.0	55.0	4.7	5,925.3
2	129.4	16,388.9	65.0	5,822.5	0.0	148.7	0.0	3,126.0	4.3	1,251.9	0.0	9.7	1.6	55.1	58.5	5,975.1
3	121.4	16,383.4	60.0	5,807.5	0.0	148.7	41.1	3,153.6	16.6	1,256.4	0.0	9.2	0.0	54.9	3.7	5,953.1
4	142.7	16,487.1	30.0	5,837.5	11.6	158.3	88.8	3,231.3	6.5	1,246.2	0.0	8.8	0.0	54.9	5.9	5,950.2
5	154.8	16,577.9	55.0	5,892.5	0.0	158.3	68.9	3,249.5	0.0	1,244.0	0.0	8.4	0.0	54.9	30.8	5,970.4
6	181.5	16,701.3	30.0	5,897.5	8.1	166.4	111.2	3,332.8	9.0	1,251.0	0.0	8.1	0.0	54.2	23.2	5,991.3
7	122.7	16,700.5	25.0	5,877.5	0.0	166.4	85.4	3,372.0	1.3	1,245.2	0.0	7.8	0.5	54.5	10.5	5,977.2
8	142.0	16,753.2	30.0	5,872.5	0.0	166.4	92.4	3,441.4	4.3	1,243.6	0.0	7.5	0.2	52.4	15.0	5,969.5
9	140.9	16,775.8	50.0	5,847.5	0.0	166.4	61.8	3,471.0	3.7	1,238.6	0.0	7.2	0.1	52.1	25.2	5,993.0
10	159.9	16,898.7	30.0	5,877.5	0.0	151.3	98.5	3,557.4	5.2	1,241.6	0.0	7.1	0.4	50.5	25.9	6,013.3
11	97.7	16,941.1	25.0	5,882.5	0.0	149.1	32.5	3,561.7	1.2	1,240.3	0.0	6.9	0.2	50.1	38.8	6,050.5
12	78.5	16,952.2	30.0	5,912.5	0.0	147.6	41.5	3,564.4	6.0	1,221.5	0.0	5.9	0.9	50.0	0.0	6,050.2

Notes: * Referring to bonds issued by governments of special municipalities.

** Including those purchased back by originators for credit enhancement.

Sources: 1. Financial Statistics Monthly (February 2024), CBC.

2. Banking Bureau, Financial Supervisory Commission.

3. Department of Foreign Exchange, CBC.

Substantial Increase in Corporate Bond Issuance

Corporate bonds refer to NT dollar- or foreign currency-denominated bonds issued in Taiwan by domestic corporations. In 2023, the issuing amount of corporate bonds totaled NT\$773.3 billion, increasing by NT\$300.2 billion from a year before as a result of higher corporate funding needs.

In terms of bond maturities, 5-year corporate bonds accounted for a dominant share of the issuance at 42.75%, followed by 10-year bonds with a share of 26.93%. At the end of 2023, the outstanding amount of corporate bonds grew by NT\$439.2 billion or 14.05% to NT\$3,564.4 billion over the previous year.

Decline in Bank Debenture Issuance

In 2023, domestic banks issued bank debentures with an amount of NT\$62.7 billion, falling by NT\$86.2 billion compared to a year ago, primarily because banks held sufficient capital and reduced the issuance of subordinated bank debentures.

In respect of the maturity of new issues, 5-year debentures made up the largest share of total issuance at 32.98%, while 7-year bonds came in second with a share of 25.01%.

At the end of the year, the outstanding amount of bank debentures stood at NT\$1,221.5 billion, a decrease of NT\$33.8 billion or 2.70% from a year before.

Contraction in Asset Securitization Products

New issues of asset securitization products were nil in 2023. The outstanding amount of asset securitization slid by NT\$5.3 billion or 47.39% from the previous year end to NT\$5.9 billion.

Drop in Foreign Bond Issuance

Foreign bonds are defined as NT dollar-denominated corporate bonds issued in Taiwan by foreign institution. The foreign bonds currently in circulation are mostly corporate bonds issued by offshore companies listed on the TWSE or the TPEX (the over-the-counter market).

For the year 2023, foreign bond issuance declined by NT\$6.9 billion from a year before to NT\$3.9 billion. At the end of the year, the outstanding amount of foreign bonds reached NT\$50.0 billion, a decrease of NT\$5.1 billion or 9.29% over the previous year end.

Reduction in International Bond Issuance

International bonds currently refer to foreign currency-denominated corporate bonds issued in Taiwan by foreign institutions. During 2023, issuance of international bonds contracted significantly by NT\$251.5 billion from a year before to NT\$242.4 billion. The decrease reflected that foreign institutions reduced international bond issuance because of an upswing in US dollar-denominated market rates.

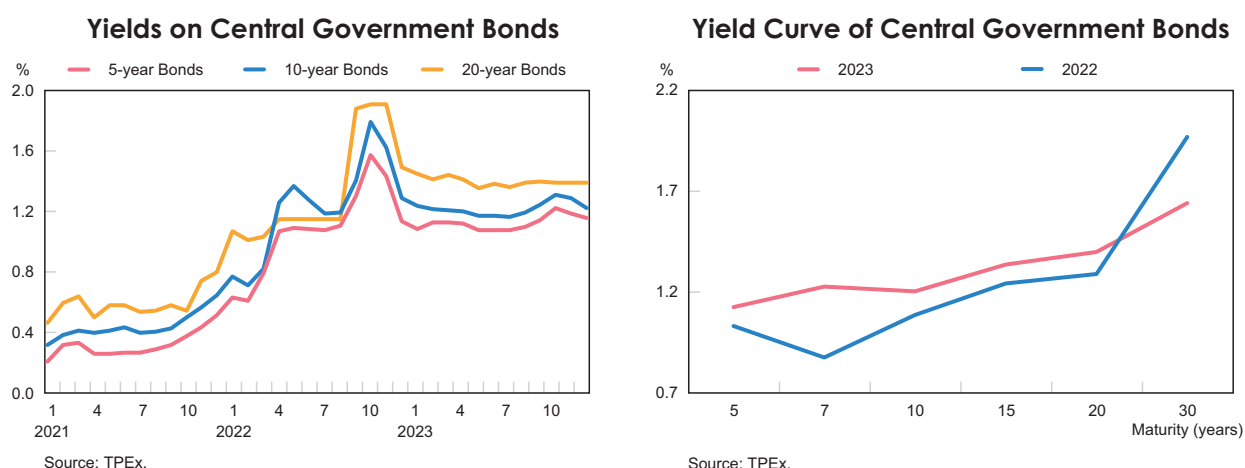
With respect to currency composition, the majority of total international bond issuance went for US dollar-denominated bonds with a share of 93.25%, followed by Australian dollar-denominated bonds at 3.10%. At the end of the year, the outstanding amount of international bonds stood at NT\$6,050.2 billion, representing a year-on-year increase of NT\$128.3 billion or 2.17%.

Uptrend in Average Government Bond Yields and Slight Increase in Transactions

For the year 2023, the Fed's policy rate hikes pushing up US Treasury yields, combined with the Bank's policy rate rise in the first quarter, sent Taiwan government bond yields higher. However, Taiwan government bond yields recorded a smaller increase than US bond yields owing to ample domestic liquidity. Looking at the volume-weighted average yields in 2023, the 10-year government bond yield rose to 1.21%, 12 basis points higher than the 1.09% registered in the previous year.

Among government bonds of the other maturity ranges, average yields on 5-year and 20-year bonds went up by 9 and 11 basis points, respectively, over the previous year.

On the other hand, the average yield on 30-year bonds in 2023 moved down by 33 basis points compared to the previous year. This was because 30-year bonds were mainly issued in the primary market. When the issuance of 30-year bonds occurred in November 2022, market rates were at high levels. Later, with market rates experiencing a downtrend, when 30-year bonds were issued in May and November 2023, market rates were relatively lower than November 2022. Therefore, if looking at the volume-weighted average yields, the average 30-year bond yield in 2023 was lower than the previous year.



In respect of transaction volume, annual transactions only rose by NT\$1.5 billion or 0.004% to NT\$35,406.4 billion. Of the components, outright transactions of government bonds fell by NT\$167.8 billion or 3.26%, whereas repurchase agreement (repo) transactions of government bonds increased by NT\$169.3 billion or 0.56% from a year before.

By type of bonds, the majority of total bond transactions went for corporate bonds with a share of 56.56% and an annual trading volume of NT\$20,025.3 billion. The second most actively traded were government bonds, contributing to 36.48% of total transactions with an annual trading volume

of NT\$12,916.4 billion. Bank debentures came in third, accounting for a share of 3.71% with an annual trading volume of NT\$1,312.3 billion.

Meanwhile, foreign bonds, international bonds, and asset securitization products made up marginal shares of 1.63%, 1.61%, and 0.02% in total transactions, with their respective annual trading registering NT\$578.5 billion, NT\$568.3 billion, and NT\$5.5 billion.

Turnover in Bond Market by Category

Unit: NT\$billion

Year/ Month	Total	Government Bonds	Corporate Bonds		Bank Debentures	Beneficiary Securities	Foreign Bonds	Int'l Bonds
			Nonconvertible	Convertible				
2021	36,138.8	15,557.9	15,807.2	1,348.2	2,024.9	0.5	393.0	1,007.0
2022	35,404.9	13,137.8	17,473.1	1,502.5	1,980.0	26.7	537.3	747.5
2023	35,406.4	12,916.4	18,011.0	2,014.3	1,312.3	5.5	578.5	568.3
2023/ 1	2,186.2	870.8	1,065.0	91.0	99.8	1.2	30.7	27.6
2	2,735.1	1,119.7	1,284.5	134.9	115.4	0.0	44.8	35.8
3	3,264.8	1,339.3	1,462.4	177.3	167.3	0.8	64.5	53.3
4	2,515.4	892.7	1,303.4	132.3	114.7	1.3	39.3	31.9
5	2,930.1	1,069.4	1,464.3	182.6	119.7	0.8	44.9	48.4
6	3,113.7	1,174.6	1,527.8	199.8	119.3	0.3	43.6	48.3
7	3,004.8	1,036.1	1,579.8	185.8	96.8	0.6	52.3	53.4
8	3,174.8	1,117.0	1,689.3	199.0	82.7	0.0	43.0	43.9
9	3,013.1	1,080.3	1,565.2	168.7	100.4	0.0	43.4	55.2
10	3,057.9	1,083.5	1,617.9	145.6	95.9	0.4	58.3	56.3
11	3,138.3	1,062.7	1,661.6	186.6	97.8	0.1	55.8	73.8
12	3,272.3	1,070.5	1,789.9	210.7	102.5	0.0	58.1	40.6

Source: TPEx.