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# Determinants of Local Currency Bonds and Foreign Holdings: Implications for Bond Market Development in the People's Republic of China

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This case study explores which variables - macroeconomic, institutional, and capital controls - are most important in explaining cross-country differences in bond market development. It uses the ratio of amount of local currency bonds outstanding over GDP as a measure of bond market development from 43 countries during 1990-2009. The study examines government and corporate bond markets separately, as the characteristics of these markets are substantially different and requires separate examination.

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banking sector is critically important to the further development of bond market, particularly to the corporate bond market. While the PRC bond market has developed significantly over recent years, there is much room for improvement. This report provides policy suggestions, albeit not necessarily from empirical findings, to further develop PRC bond markets.

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References

## Additional Details

Author	<u>Bae, Kee-Hong</u>
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