Case Study

The Hong Kong Mortgage Corporation Limited HK$12 bn 2-, 5-, and 10-Year Reg S Senior Bonds

The Client

The Hong Kong Mortgage Corporation ("HKMC") was established in 1997 and is wholly owned by the Hong Kong Government through the Exchange Fund. The company was formed to promote stability of the banking sector, wider home ownership, development of the local debt market and development of retirement planning market in Hong Kong.

The Challenge

- Transaction execution needed to be well-planned and agile to minimize execution risk
- Tranching structure across multiple tenors required careful consideration to optimize pricing and order momentum

The Solution

- A multi-tranche offering spanning the entire HKD maturity spectrum
- Investor marketing to ensure complete investor penetration over a focused marketing process to minimize execution risk, via favourable credit positioning with accounts engaged through a variety of marketing mediums
- Intra-day execution to eliminate execution and market risk

The Result

- Citi is a Joint Lead Manager/Joint Bookrunner on the transaction
- HKMC's first non-social labelled public institutional offering since 2021 – Greater UOP flexibility has allowed HKMC to access longer tenors, extend existing debt maturity profile and establish a comprehensive HKD bond secondary curve, echoing HKMC's mission to promote the development of the local debt market
- The largest HKD-denominated bond issuance ever in the public debt capital market
- Successfully capitalized on conducive backdrop amid improved market liquidity after Chinese New Year break and ahead of potential FOMC minutes-induced volatility
- Well-crafted intraday execution strategy with investor conference call happening concurrent to bookbuilding to eliminate market risk – As a rare Asian Quasi-sovereign credit and a frequent issuer with superior profile, investor marketing was kept simple
- Attracted over HKD37 bn of combined peak demand with the new notes allocated to the highest quality accounts at pricing despite a 35~40bp sharp IPG compression, underscoring investors' continued keenness to lock in yields before policy rate cuts

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