

Analysis of the government securities market

July 2021

K**SE**

Қазақстан қор биржасы
Казахстанская фондовая биржа
Kazakhstan Stock Exchange

GOVERNMENT DEBT TRADED ON KASE

Government debt traded on KASE

As of July 1, 2021, the amount of government debt traded on KASE made up KZT17.8 trln, having increased by KZT1.1 trln, or by 17.5 %, since the beginning of the year. This growth is mainly due to an increase in the offering of notes of the National Bank of the Republic of Kazakhstan (hereinafter – the NBRK) by KZT0.5 trln, as well as the current and new issues of MEKAM of the Ministry of Finance of the Republic of Kazakhstan (hereinafter – the Ministry of Finance, MFRK) by KZT0.5 trln.

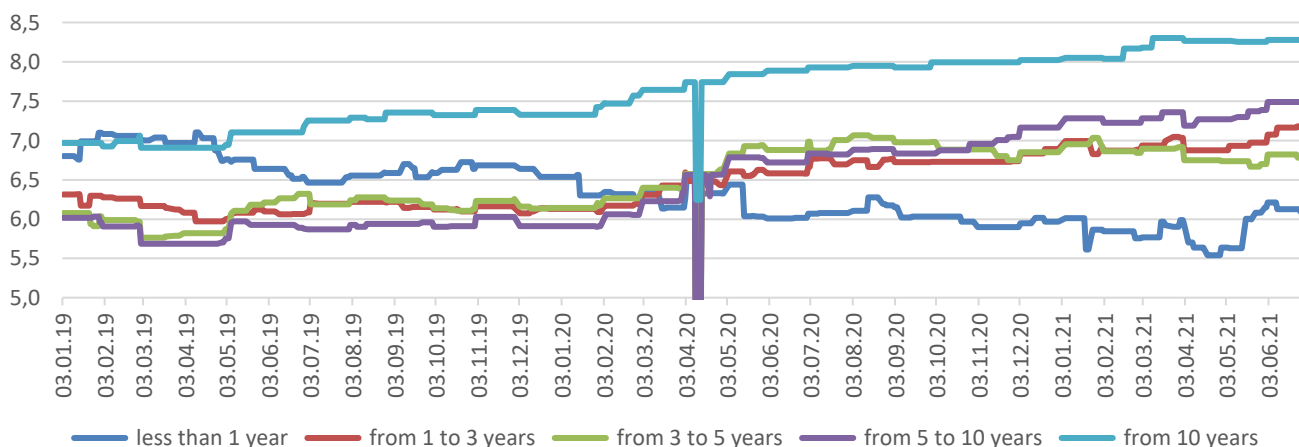
As of July 1, 2021, the structure of government debt traded on KASE in terms of maturity has not changed much since the beginning of the year: 27.8 % falls on government securities with a maturity period of less than one year, 13.5 % – government securities with a maturity period of one to three years, 12.3 % – government securities with a term of three to five years, 22.6 % – government securities with a term of five to ten years, 23.9 % – government securities with a term of more than 10 years

Structure of government debt (at par) traded on KASE, mln USD

Structure	Amount of government debt				Share in the government debt traded on KASE				Change in the amount of government debt				
	01.01.2020	01.07.2020	01.01.2021	01.07.2021	01.01.2020	01.07.2020	01.01.2021	01.07.2021	abs 01.01.20/ 01.01.21	abs 01.07.21/ 01.01.21	01.01.21	01.01.20/ 01.01.21	01.07.21/ 01.01.21
Amount of government debt, traded on KASE	34,1	37,5	39,8	41,6					5,7	4,1	17%	11%	
By maturity													
< 1 year	10,5	11,2	9,7	11,5	31%	30%	24%	28%	-0,8	0,3	-8%	3%	
1-3 years	3,7	4,6	6,1	5,6	11%	12%	15%	13%	2,4	1,0	65%	21%	
3-5 years	4,2	3,5	5,4	5,1	12%	9%	14%	12%	1,2	1,6	28%	46%	
5-10 years	7,4	10,3	8,0	9,4	22%	27%	20%	23%	0,6	-0,9	8%	-8%	
> 10 years	8,2	7,9	10,6	9,9	24%	21%	27%	24%	2,3	2,0	28%	26%	
By type of securities													
Notes of NBRK	9,4	9,2	7,3	8,3	28%	25%	18%	20%	-2,2	-0,9	-23%	-10%	
Bonds of IFRK	18,5	20,7	23,2	24,1	54%	55%	58%	58%	4,7	3,4	26%	16%	
Eurobonds of IFRK	5,6	6,2	6,8	6,8	16%	16%	17%	16%	1,2	0,6	22%	10%	
Bonds of IIO	0,6	1,4	2,5	2,4	2%	4%	6%	6%	1,9	1,0	347%	72%	

Since the beginning of 2020, for bonds of the Ministry of Finance, there has been a significant widening of spreads between coupon rates of short-term and long-term government securities. The largest increase in coupon rates is observed for government securities with a maturity of more than 10 years, coupon rates for government securities with a maturity period of less than one year, on the contrary, decreased.

Dynamics of the coupon rate of MFRK bonds



VOLUME OF DEALS

Volume of deals

Over six months of 2021, the total volume of trading in the primary and secondary markets for government securities amounted to KZT1,699.2 bn, having decreased by KZT623.1 bn, or 26.8 %, compared with the same period of last year, while a decrease in the trading volume was observed both in primary and secondary markets.

The decrease in the volume of trades in the primary market was due to a decrease in offerings both by the Ministry of Finance and by local executive bodies.

In 2020, the deficit of the republican budget amounted to KZT2,185 bn, for the purpose of financing which the Ministry of Finance raised KZT2,770.8 bn in the primary market. The deficit of local budgets in 2020 amounted to KZT673 bn, offerings by local executive bodies – KZT963.2 bn.

For 2021, the deficit of the republican budget is projected at the level of KZT2,505 bn, local budgets – KZT445 bn. Following the results of six months, the Ministry of Finance placed KZT1,144.1 bn, local executive bodies – KZT77.1 bn.

In the secondary market, the trend towards a decrease in the volume of trades in NBRK notes (-192.6 billion tenge on six months of 2020) and an increase in the volume of trades in bonds of the MFRK (+159.1 billion tenge) continue. In general, over six months of 2021, the trading volume in the secondary market amounted to KZT478.0 bn, which is by 4.6 % lower than in the six months of 2020.

Volume of deals traded on KASE, mln USD

Structure	Trading volume				Share in the trading volume				Change in the trading volume			
	2019	6m 2020	2020	6m 2021	2019	6m 2020	2020	6m 2021	abs 2019/2020	abs 6m2020/6m2021	2019/2020	6m2020/6m2021
GS trading volume	4 776	5 601	11 124	4 007					6 348	-1 594	133%	-28%
Primary market												
MFRK bonds	3 504	3 327	6 628	2 702	92%	76%	74%	94%	3 124	-624	89%	-19%
Bonds of local authorities	285	1 070	2 297	181	8%	24%	26%	6%	2 012	-889	706%	-83%
Total	3 789	4 397	8 925	2 884	100%	100%	100%	100%	5 136	-1 513	136%	-34%
Secondary market												
MFRK bonds	29	301	1 066	671	2,9%	25,0%	48,5%	59,8%	1 037	370	3599%	123%
MFRK Eurobonds	19	1	16	26	1,9%	0,1%	0,7%	2,3%	-3	24	-17%	2084%
NBRK notes	938	900	1 114	423	95,0%	74,7%	50,7%	37,7%	176	-477	19%	-53%
Foreign GS	2	2	3	3	0,2%	0,2%	0,2%	0,3%	2	1	89%	35%
Total	987	1 204	2 199	1 123					1 212	-81	123%	-7%

INVESTOR STRUCTURE

Investor Structure

In the primary market, there is a tendency to move from placing the total volume of supply among institutional investors to offering among second-tier banks. So, since 2019, the share of institutional investors on the buying side has decreased from 91.4 % to 13.5 %, while the share of second-tier banks (STBs) has grown from 0.6 % to 71.2 %. In parallel with the growth of the share of second-tier banks in the structure of buyers, the share of non-residents also increased: in 2019, non-residents did not participate in the purchase of government securities in the primary market, during 6 months of 2021 their share was 2.6 %. **In the secondary market**, on the side of buyers, there is also a trend towards a decrease in the share of institutional investors (from 48.2 % in 2019 to 8.1 % in 6 months of 2021) and an increase in the share of second-tier banks (from 6.6 % in 2019 to 54.7 % during 6 months in 2021). On the side of sellers, the main share is still occupied by second-tier banks (61.2 %) and institutional investors (21.0 %). The share of non-residents in the secondary market on the side of buyers for 6 months of 2021 was 10.5 %. On the side of sellers, the share of non-residents was 7.2 %.

Volume of trades in the GS buy market by type of participants, mln USD

	Purchase volume				Share in the purchase volume			
	2019	6m 2020	2020	6m 2021	2019	6m 2020	2020	6m 2021
Primary market								
Second-tier banks	23	950	1 903	2 055	1%	22%	21%	71%
Broker-dealer	0	11	48	34	0%	0%	1%	1%
Other institutional investors	3 463	2 364	4 625	389	91%	54%	52%	13%
Other legal entities	303	1 072	2 349	402	8%	24%	26%	14%
Individual	0	0	0	2	0%	0%	0%	0%
Total	3 789	4 397	8 925	2 884	100%	100%	100%	100%
Non-resident	0	0	90	76	0%	0%	2%	2%
Resident	3 789	4 396	8 835	2 807	100%	116%	233%	74%
Secondary market								
Second-tier banks	66	309	633	613	7%	26%	29%	55%
Broker-dealer	53	29	58	57	5%	2%	3%	5%
Other institutional investors	475	670	939	89	48%	56%	43%	8%
Other legal entities	389	195	567	361	39%	16%	26%	32%
Individual	4	2	2	1	0%	0%	0%	0%
Total	987	1 204	2 199	1 123	100%	100%	100%	100%
Non-resident	2	30	218	118	0%	3%	10%	11%
Resident	985	1 174	1 981	1 005	100%	97%	90%	89%

Volume of trades in the GS buy market by type of participants, mln USD

	Sales volume				Share in the sales volume			
	2019	6m 2020	2020	6m 2021	2019	6m 2020	2020	6m 2021
Primary market								
Institutional investor	3 789	4 397	7 735	2 702	100%	100%	87%	94%
Legal entities	0	0	1 190	181	0%	0%	13%	6%
Total	3 789	4 397	8 925	2 884	100%	100%	100%	100%
Non-resident	0	0	0	0	0%	0%	0%	0%
Resident	3 789	4 397	8 925	2 884	100%	100%	100%	100%
Secondary market								
Second-tier banks	756	698	908	686	77%	58%	41%	61%
Broker-dealer	18	12	53	36	2%	1%	2%	3%
Institutional investors	183	492	1 077	237	18%	41%	49%	21%
Other legal entities	29	2	160	160	3%	0%	7%	14%
Individuals	1	0	1	4	0%	0%	0%	0%
Total	987	1 204	2 199	1 123	100%	100%	100%	100%
Non-resident	0	61	204	82	0%	5%	9%	7%
Resident	987	1 143	1 995	1 042	100%	95%	91%	93%

MATURITY

Maturity

In the primary market, broken down by maturity, there is a transition to short-term liabilities: in 6 months of 2021, the share of their offering increased to 17.4 % from 8.6 % in 2020. The impetus was the fact that the Ministry of Finance resumed issuing short-term obligations from May 2020. At the same time, the share of liabilities with maturities of more than ten years decreased from 42.3 % in 2020 to 10.9 % in the first half of 2021. In the medium term, the greatest growth was observed in the period from one to three years and from five to ten years.

In the secondary market, broken down by maturity, there is a decrease in the share of trading in securities with maturity of up to one year from 77.8 % in the first half of 2020 to 46.8 % in the first half of 2021 (while in the primary market this segment, on the contrary, is growing) and an increase in the share of trading in securities with a maturity period of more than ten years (while in the primary market this segment, on the contrary, is decreasing). The largest growth in the volume of trades was observed in securities over a medium-term horizon from one to three years, the share of trades in these securities increased to 32.4 %. Most of GS of this time horizon were traded by the NBRK (22.6 %), BCC (19.1 %) and the Eurasian Bank (17.9 %).

Breakdown of trades in the GS market by maturity, mln USD

Structure	Trading volume				Share in the trading volume				Change in the trading volume			
	2019	6m 2020	2020	6m 2021	2019	6m 2020	2020	6m 2021	abs 2020/2019	abs 6m 2020/ 6m 2021	% 2020/2019	% 6m 2020/ 6m 2021
Primary market												
< 1 year	0	616	779	504	0%	14%	9%	17%	779	-111		-18%
1-3 years	394	1 287	2 217	1 026	11%	30%	25%	36%	1 823	-262	462%	-20%
3-5 years	49	8	236	299	1%	<1%	3%	10%	187	292	382%	3751%
5-10 years	49	1 445	1 902	738	1%	38%	22%	26%	1 853	-707	3821%	-49%
> 10 years	3 297	1 041	3 790	317	87%	23%	42%	11%	493	-724	15%	-70%
Total	3 789	4 397	8 925	2 884	100%	100%	100%	100%	5 136	-1 513	136%	-34%
Secondary market												
< 1 year	942	939	1 168	524	98%	78%	53%	47%	225	- 415	24%	-44%
1-3 years	13	165	415	365	1%	14%	19%	32%	402	200	3077%	121%
3-5 years	6	27	100	28	1%	2%	5%	2%	94	1	1558%	2%
5-10 years	24	67	303	115	2%	6%	14%	10%	279	49	1188%	73%
> 10 years	2	7	214	91	0%	1%	10%	8%	212	84	9197%	1225%
Total	987	1 204	2 199	1 123	100%	100%	100%	100%	1 212	- 81	123%	-7%

ISSUES OF MINISTRY
OF FINANCE OF THE RK

Issues of the Ministry of Finance of the RK

In the structure of GS issues of the Ministry of Finance and NBRK notes, there is a trend towards consolidation: in 2020-2021, the Ministry of Finance and NBRK consolidated 37 issues for a total amount of KZT3.5 trln. At the same time, the amount of individual issues exceeded KZT1 trln.

Consolidated issues of the Ministry of Finance of the RK and NBRK, KZT bln

Выпуск	Сумма выпуска по номиналу, Bln KZT			Equivalent in mln USD as of 01.04.21	изменение за период
	01.01.20	01.01.21	01.04.21		
MUM144_0001	10,8	348,8	349,5	817,0	338,7
MUM084_0017	51,6	147,2	282,6	660,5	231,0
MUM300_0003	93,5	292,7	292,7	684,1	199,2
MUM132_0005	20,7	220,7	217,3	507,9	196,6
KZ_07_2507	1 078,2	1 268,6	1 268,6	2 965,5	190,4
MUM180_0012	379,6	510,3	569,4	1 330,9	189,7
MUM180_0014	174,5	341,0	353,9	827,3	179,4
MUM120_0017	7,5	50,8	179,4	419,2	171,8
MUM216_0001	83,7	257,7	244,7	572,1	161,1
KZ_06_4410	472,9	586,4	610,7	1 427,5	137,7
MUM144_0003	44,0	51,7	179,6	419,8	135,6
MUM240_0004	387,3	529,1	518,1	1 211,2	130,8
MUM156_0002	18,4	18,8	129,6	303,0	111,2
MUM216_0002	187,1	297,1	297,1	694,4	110,0
MUM300_0002	165,0	275,0	275,0	642,8	110,0
KZ_05_2410	593,6	667,4	700,7	1 637,9	107,0
MUM120_0016	0,2	3,5	84,3	197,1	84,2
MUM180_0001	20,6	16,8	95,1	222,4	74,5
MUM108_0012	250,0	306,2	324,0	757,4	74,0
MUM108_0011	71,3	134,0	143,6	335,6	72,3
MUM156_0006	260,3	349,5	328,0	766,7	67,7
MUM240_0002	362,5	428,0	428,0	1 000,5	65,5
KZ_10_2811	254,6	295,2	309,8	724,2	55,2
MOM060_0051	267,0	307,4	315,1	736,5	48,1
MUM180_0013	7,8	34,0	55,5	129,7	47,7
MUM132_0003	45,5	44,6	92,9	217,2	47,4
MUM120_0018	250,0	284,5	293,8	686,7	43,8
MUM240_0001	29,4	29,4	62,2	145,4	32,8
MUM120_0011	49,5	81,9	81,6	190,7	32,1
MUM168_0003	314,3	344,2	330,8	773,3	16,5
MUM156_0004	36,4	38,6	40,2	93,9	3,8
MUM144_0004	25,8	25,8	29,1	68,0	3,3
MUM156_0003	42,5	46,4	45,6	106,7	3,1
MUM120_0010	25,4	26,4	28,3	66,1	2,9
MUM180_0005	47,1	49,0	47,9	112,0	0,9
MUM132_0004	18,9	18,4	19,4	45,4	0,5
MUM180_0011	191,0	162,1	191,4	447,5	0,4
Total	6 338,5	8 888,9	9 815,3	22 944,3	3 476,8

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