



Analysis of government securities market

April 2021

K**SE**

Қазақстан қор биржасы
Казахстанская фондовая биржа
Kazakhstan Stock Exchange

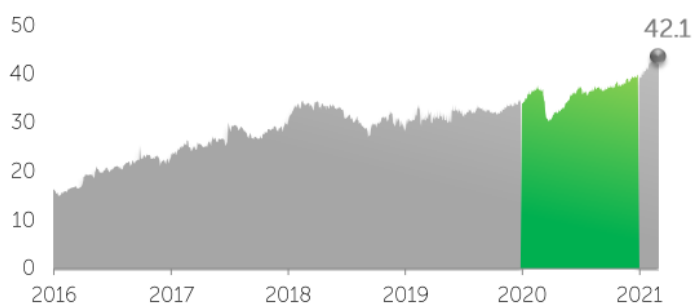
GOVERNMENT DEBT TRADED ON KASE

Government debt traded on KASE

As of January 1, 2021, the amount of government debt traded on KASE made up USD 39.8 billion, having increased in 2020 by USD 5.7 trillion or 16.8%.

This growth was mainly due to an increase in placements on the current MEKAM issues of the Ministry of Finance of the Republic of Kazakhstan (hereinafter - the Ministry of Finance, IFRK) (USD +4.7 billion), the inclusion in the official list of new issues of Eurobonds of the Ministry of Finance (USD +1.2 billion) and bond issues issued by local executive bodies of the Republic of Kazakhstan (hereinafter - LEB) (USD +1.9 billion), as well as due to an increase in government debt on securities previously in the official list of the Exchange and nominated in foreign currencies (USD +0.1 billion). At the same time, the volume of new issues of notes of the National Bank of the Republic of Kazakhstan (hereinafter - NBRK) decreased by USD 2.2 billion.

Amount of government debt (at face value),
traded on KASE, USD bn



As of January 1, 2021, the structure of government debt traded on KASE, in terms of maturity, mainly consisted of government securities (hereinafter referred to as GS) with a maturity of less than one year (24.3%) and more than ten years (26.6%). The smallest interest was occupied by government securities with maturity from three to five years - 13.5%. The share of short-term GS issues with maturity less than one year decreased from 30.8% to 24.3%, due to which the distribution of issues by maturity became more even.

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

Structure	Amount of government debt				Interest of the government debt traded on KASE				Change in the amount of government debt			
	01.01.20	01.04.20	01.01.21	01.04.21	01.01.20	01.04.20	01.01.21	01.04.21	abs 01.01.20/ 01.01.21	abs 01.04.20/ 01.04.21	01.01.20/ 01.01.21	01.04.20/ 01.04.21
Amount of government debt, traded on KASE	34.1	31.0	39.8	42.1					5.7	11.1	17%	36%
By maturity												
< 1 year	10.5	9.1	9.7	12.0	31%	29%	24%	29%	-0.8	2.9	-8%	32%
1-3 years	3.7	3.5	6.1	5.9	11%	11%	15%	14%	2.4	2.4	65%	70%
3-5 years	4.2	3.4	5.4	5.1	12%	11%	14%	12%	1.2	1.6	28%	48%
5-10 years	7.4	8.2	8.0	8.4	22%	27%	20%	20%	0.6	0.1	8%	2%
> 10 years	8.2	6.7	10.6	10.7	24%	22%	27%	25%	2.3	4.0	28%	59%
By type of securities												
Notes of NBRK	9.4	8.3	7.3	8.4	28%	27%	18%	20%	-2.2	<0.1	-23%	1%
Bonds of IFRK	18.5	16.7	23.2	24.6	54%	54%	58%	59%	4.7	8.0	26%	48%
Eurobonds of IFRK	5.6	5.6	6.8	6.7	16%	18%	17%	16%	1.2	1.1	22%	21%
Bonds of IIO	0.6	0.4	2.5	2.4	2%	1%	6%	6%	1.9	2.0	347%	469%

Based on the results of the first three months of 2021 the amount of government debt traded on KASE made up USD 42.1 billion, having increased by USD 2.3 billion due to new issues of NBRK notes (USD +1.1 billion), the placement of new treasury obligations of the Ministry of Finance and the enlargement of the current MEKAM issues of the Ministry of Finance (USD +1.4 billion). Considering that a significant volume was on the issue of short-term notes of the NBRK, the share of GS with maturity less than one year increased to 28.6%.

TRADE VOLUME DYNAMICS

Volume of transactions

In 2020, the total trading volume in the government securities market amounted to USD 11,124.0 million, having increased compared to 2019 by USD 6,347.9 million, or 2.3 times, while the growth in trading volume was observed both in the primary and secondary markets.

In January-March 2021, the volume of trades on KASE amounted to USD 2,200.2 million, while in 2020 for the same period the volume of trades was USD 2,022.9 million.

Primary market. The volume of trades in the primary market in 2020 amounted to USD 8,925.0 million against USD 3,788.9 million in 2019, of which USD 6,628.0 million were traded in bonds of the Ministry of Finance and KZT 2,297.0 million for trades in bonds of the LEB.

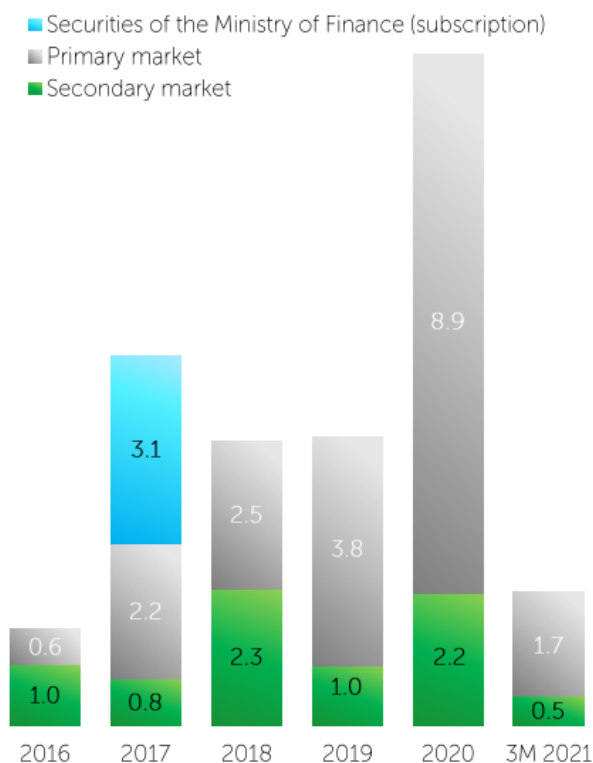
In March-November 2020, there was an increased placement of MEKAM by the Ministry of Finance, connected with the imposition of restrictive measures, a decrease in economic activity as a result of the COVID-19 pandemic and the need for government support to the most affected economic entities.

For three months of 2021, the trading volume in the primary market made up USD 1,725.9 million mainly due to the placement of MEKAM by the Ministry of Finance (USD 1,670.8 million), while, according to the schedule of raising funds, the IFRK planned to attract less in the first three months.

Secondary market. In the secondary market, the trading volume in 2020 amounted to USD 2,199.0 million against USD 987.2 million in 2019, increasing by 2.2 times. Detailed per GS, the trades were carried out mainly with a horizon to maturity from one to ten years. The volume of trades in bonds of the Ministry of Finance made up USD 1,065.8 million, while the interest of trades in MEKAM of the Ministry of Finance in the overall structure of the secondary market grew to 48.5% in 2020 from 2.9% in 2019. The interest of NBRK notes in the total trading volume in the secondary market, on the contrary, decreased in 2020 to 50.7% from 95.0% of the indicator for 2019.

In the first quarter of 2021, the trading volume in the secondary market made up USD 474.3 million, while 61.8% (USD 293.3 million) was on MEKAM and Eurobonds of the Ministry of Finance against 1.0% (USD 7.0 million) for the first quarter of 2020. The interest of trades in the secondary market in NBRK notes decreased from 98.9% (USD 711.2 billion) in the first quarter of 2020 to 37.7% (USD 178.7 million) in the first quarter of 2021. Based on these data, the trend towards an increase in the interest of trades in bonds of the Ministry of Finance and a decrease in the interest of trades in NBRK notes in the secondary market continued.

Trading volume dynamics, USD bn



TRADE VOLUME DYNAMICS

In order to increase liquidity in the government securities market in 2020, the Exchange worked to attract market makers to this market, negotiating with the most active participants and implementing new market maker programs. While meeting taken measures, the Exchange member is exempt from paying commission fees for transactions for which he fulfills the obligations of the market maker, and pays commission fees for transactions with other government securities, reduced by 50%. In turn, the Exchange pays remuneration to this market maker in the amount of 50% of the Exchange commission fee received from the counterparty in the transaction with him. Since August 3, 2020, three market makers have participated in the GS market: "FreedomFinance" JSC, "Halyk Savings Bank of Kazakhstan" JSC and "CentrasSecurities" JSC.

Volume of trades in the government securities market, USD mln

Structure	Trading volume				Interest in trading volume				Change in trading volume			
	2019	3M 2020	2020	3M 2021	2019	3M 2020	2020	3M 2021	abs 2020/2019	abs 3M 2020/ 3M 2021	% 2020/2019	% 3M 2020/ 3M 2021
Trade volume of GS	4 776	2 023	11 124	2 200					6 348	177	133%	9%
Primary market												
Bonds of IFRK	3 504	1 244	6 628	1 671	92%	95%	74%	97%	3 124	426	89%	34%
Bonds of IIO	285	59	2 297	55	8%	5%	26%	3%	2 012	-4	706%	-7%
Total	3 789	1 304	8 925	1 726	100%	100%	100%	100%	5 136	422	136%	32%
Secondary market												
Bonds of IFRK	29	7	1 066	281	3%	1%	48%	59%	1 037	274	3 599%	3 982%
Eurobonds of IFRK	19	<1	16	12	2%	<1%	1%	3%	-3	12	-17%	12 428%
Notes of NBRK	938	711	1 114	179	95%	99%	51%	38%	176	-532	19%	-75%
Foreign GS	2	1	3	2	<1%	<1%	<1%	<1%	2	1	89%	141%
Total	987	719	2 199	474	100%	100%	100%	100%	1 212	-245	123%	-34%

STRUCTURE OF INVESTORS

Structure of investors

Primary market. In 2020, 51.8% of the total supply was placed among institutional investors, 26.3% - among legal entities, 21.3% - among second-tier banks (STB). For three months of 2021, the structure of GS buyers is mainly represented by second-tier banks (70.9%). The interest of non-residents in the total trading volume was 2.3% in 2020, while in the first quarter of 2021 it increased to 4.1%.

Secondary market. In 2020, the structure of sellers is mainly represented by institutional investors (49.0%) and STBs (41.3%). On the buyers' side, institutional investors (42.7%) and STBs (28.8%) also occupied the main interest. For the first quarter of 2021, the main demand for government securities was provided by STBs (50.9%) and other legal entities (34.9%). The main sellers were STBs (45.6%) and institutional investors (36.7%). The interest of non-residents in the secondary market on the side of buyers in 2020 was 9.9% and grew to 17.0% in the first quarter of 2021. On the side of sellers, the interest of non-residents in 2020 was 9.3% and increased to 10.0% in the first quarter of 2021.

Trading volume on the GS purchase market by type of participants, USD mln

	Purchase volume				Interest in purchase volume			
	2019	3M 2020	2020	3M 2021	2019	3M 2020	2020	3M 2021
Primary market								
Second-tier banks	23	132	1 903	1 223	1%	10%	21%	71%
Broker-dealer	–	2	48	3	–	<1%	1%	<1%
Instit. investors	3 463	1 110	4 625	281	91%	85%	52%	16%
Legal entities	303	60	2 349	219	8%	5%	26%	13%
Individuals	–	–	<1	–	–	–	<1%	–
Total	3 789	1 304	8 925	1 726	100%	100%	100%	100%
Non-resident	–	–	90	51	0%	0%	1%	3%
Resident	3 789	1 304	8 835	1 675	100%	100%	99%	97%
Secondary market								
Second-tier banks	66	70	633	241	7%	10%	29%	51%
Broker-dealer	53	3	60	11	5%	<1%	6%	1%
Instit. investors	475	605	939	55	48%	84%	43%	12%
Legal entities	388	41	565	166	39%	6%	26%	35%
Individuals	4	<1	2	<1	<1%	<1%	<1%	<1%
Total	987	719	2 199	474	100%	100%	100%	100%
Non-resident	2	<1	218	80	0%	0%	10%	17%
Resident	985	719	1 981	394	100%	100%	90%	83%

Trading volume on the GS sales market by type of participants, USD mln

	Volume of sales				Interest in the volume of sales			
	2019	3M 2020	2020	3M 2021	2019	3M 2020	2020	3M 2021
Primary market								
Instit. investors	14	–	73	–	<1%	–	1%	–
Legal entities	3 774	1 304	8 852	1 726	100%	100%	99%	100%
Total	3 789	1 304	8 925	1 726	100%	100%	100%	100%
Non-resident	–	–	–	–	–	–	–	–
Resident	3 789	1 304	8 925	1 726	100%	100%	100%	100%
Secondary market								
Second-tier banks	756	570	908	216	77%	79%	41%	46%
Broker-dealer	18	1	56	11	2%	0%	3%	2%
Instit. investors	183	149	1 077	174	18%	21%	49%	37%
Legal entities	29	<1	157	71	3%	<1%	7%	15%
Individuals	1	<1	1	1	<1%	<1%	<1%	<1%
Total	987	719	2 199	474	100%	100%	100%	100%
Non-resident	–	61	204	48	–	8%	9%	10%
Resident	987	658	1 995	427	100%	92%	91%	90%

PERIOD TO MATURITY

Period to maturity

Primary market. Detailed per period to maturity, there is a transition to short-term liabilities: in 2019, government securities with maturity up to a year were not placed, in 2020 the interest of their placement increased to 8.7%. The impetus was the fact that the Ministry of Finance resumed issuing short-term obligations from May 2020. At the same time, the interest of liabilities with maturities of more than ten years decreased from 87.0% in 2019 to 42.5% in 2020. On the medium-term horizon, the greatest growth was noted in the period from one to three years (average monthly increase in trading volumes by USD 151.9 million) and from five to ten years (average monthly increase in trading volumes by USD 154.4 million).

In the first quarter of 2021, the trend continued in the primary market for an increase in the interest of trades in government securities with a maturity of less than one year (increase in the interest to 26.5%) and a decrease in the interest of trades in government securities with a maturity of more than ten years (decrease in the interest from 44.8 % to 13.1%).

Secondary market. By maturity in the secondary market, there is a decrease in the interest of trading in securities with maturities of up to one year from 95.5% in 2019 to 53.1% in 2020 (while this segment, on the contrary, is growing in the primary market) and an increase in the interest of trading in securities with maturities over ten years from 0.2% to 9.7% (while this segment, on the contrary, is falling in the primary market). The largest growth in trading volume is observed with securities in the medium-term horizon: the interest of trades in government securities on the horizon from one to three years increased from 1.3% to 18.9%, on the horizon of three to five years - from 0.6% to 4.5 %, on the horizon from five to ten years - from 2.4% to 13.8%.

In the first quarter of 2021, the downward trend in the interest of trading in securities with maturities of less than one year from 98.9% to 41.6% continued in the secondary market, as opposed to the growth of this sector in the primary market. The largest increase in trades continued since last year in the sector of medium-term bonds: the interest of trades on the horizon from one to three years increased to 36.4%, while on the horizon above ten years, and vice versa, there is a decrease.

Breakdown of trades in the government securities market by maturity, KZT bln

Structure	Trading volume				Interest in trading volume				Change in trading volume			
	2019	3M 2020	2020	3M 2021	2019	3M 2020	2020	3M 2021	abs 2020/ 2019	abs 3M 2020/ 3M 2021	% 2020/ 2019	% 3M 2020/ 3M 2021
Primary market												
< 1 year	-	-	779	457	-	-	9%	27%	779	457	-	-
1-3 years	394	87	2 217	403	10%	7%	25%	23%	1 823	316	462%	362%
3-5 years	49	-	236	164	1%	-	3%	10%	187	164	382%	-
5-10 years	48	633	1 902	475	1%	49%	21%	28%	1 853	-157	3 821%	-25%
> 10 years	3 297	584	3 790	226	87%	45%	42%	13%	493	-358	15%	-61%
Total	3 789	1 304	8 925	1 726	100%	100%	100%	100%	5 136	422	136%	32%
Secondary market												
< 1 year	942	711	1 168	198	95%	99%	53%	42%	225	- 514	24%	-72%
1-3 years	13	-	415	173	1%	<1%	19%	36%	402	173	3 077%	-
3-5 years	6	<1	100	11	1%	<1%	5%	2%	94	11	1 558%	4 536%
5-10 years	24	1	303	58	2%	<1%	14%	12%	279	58	1 188%	7 155%
> 10 years	2	7	214	34	<1%	1%	10%	7%	212	28	9 197%	401%
Total	987	719	2 199	474	100%	100%	100%	100%	1 212	- 245	123%	-34%

PLACEMENT OF MEKAM OF THE MINISTRY OF FINANCE

Placement of MEKAM of the Ministry of Finance

In the structure of GS issues of the Ministry of Finance, there is a trend towards consolidation: in 2020, the Ministry of Finance enlarged 25 bond issues for a total of USD 5 835 million. At the same time, the amount of individual issues exceeded USD 1.0 billion.

issue	Issue amount at par, million USD			change over the period	maturity date
	01.01.20	01.01.21	01.04.21		
MUM300_0003	245	696	690	445	26.02.2040
MUM300_0002	433	654	648	215	25.07.2039
MUM216_0002	491	706	700	209	11.02.2037
MUM216_0001	220	613	607	388	30.07.2036
MUM240_0004	970	1 357	1 346	376	29.01.2035
MUM240_0002	969	1 036	1 027	59	12.05.2034
MUM180_0014	431	857	849	419	23.04.2033
MUM180_0013	20	77	119	100	04.04.2033
MUM240_0001	99	90	207	108	24.04.2032
MUM168_0003	778	859	852	74	16.04.2032
MUM156_0006	683	847	840	157	10.05.2031
MUM180_0012	1 007	1 304	1 474	468	04.02.2030
KZ_10_2811	588	644	616	28	09.11.2028
MUM120_0017	20	120	353	333	06.03.2027
MUM108_0012	656	714	708	52	03.07.2026
MUM120_0016	0	9	96	96	27.05.2025
MUM180_0001	44	40	111	66	20.05.2024
MUM084_0017	126	336	480	354	30.01.2024
MUM108_0011	191	345	342	151	29.08.2023
MUM156_0002	55	50	306	251	20.07.2023
MUM132_0005	63	560	555	492	15.05.2023
MOM060_0051	700	720	714	13	03.07.2022
MUM144_0001	28	852	845	817	05.05.2022
MUM132_0003	121	110	227	106	25.03.2022
MUM120_0011	139	200	198	60	19.03.2022

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