

Analysis of the government securities market

2021

K**SE**

Қазақстан қор биржасы
Казахстанская фондовая биржа
Kazakhstan Stock Exchange

PUBLIC DEBT TRADED ON KASE

Public debt traded on KASE

As of January 1, 2022, the amount of public debt traded on KASE made up 41.3 billion USD, having increased by 1.5 billion USD, or 4 %, since the beginning of 2021. This growth is mainly due to the consolidation of 18 issues and the inclusion of new 15 issues of bonds of the Ministry of Finance of the Republic of Kazakhstan (hereinafter – the Ministry of Finance, MFRK). At the same time, the volume of new issues of notes of the National Bank of the Republic of Kazakhstan (hereinafter – NBK) decreased by 2.3 billion USD.

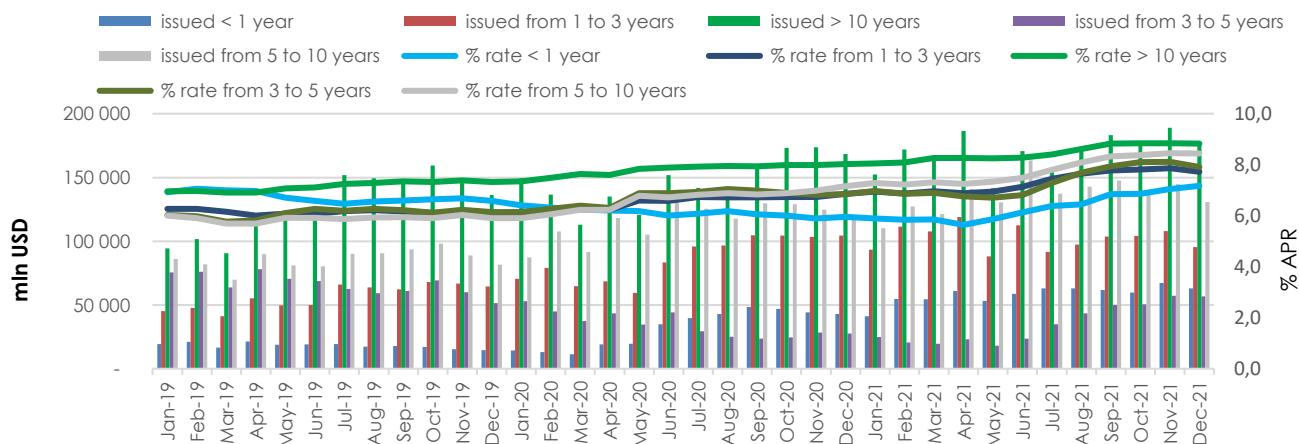
As of January 01, 2022, the structure of public debt traded on KASE, by maturity, has not changed much since the beginning of the year: 21 % are government securities with a maturity of less than one year, 17 % - government securities with a maturity of one to three years, 15% - government securities with a term of three to five years, 22% - government securities with a term of five to ten years, 25% - government securities with a term of more than 10 years.

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

Structure	Amount of public debt			Share in the amount of public debt traded on KASE			Change in the amount of public debt				
	01.01.2020	01.01.2021	01.01.2022	01.01.2020	01.01.2021	01.01.2022	abc	01.01.21/ 01.01.20	abc	01.01.21/ 01.01.20	01.01.22/ 01.01.21
Amount of public debt traded on KASE	34,1	39,8	41,3				5,7	1,5	17%	4%	
By maturity											
< 1 year	10,5	9,7	8,8	31%	24%	21%	-0,8	-0,9	-8%	-9%	
1-3 years	3,7	6,1	7,0	11%	15%	17%	2,4	0,8	65%	14%	
3-5 years	4,2	5,4	6,1	12%	14%	15%	1,2	0,7	28%	13%	
5-10 years	7,4	8,0	9,0	22%	20%	22%	0,6	0,9	8%	11%	
> 10 years	8,2	10,6	10,5	24%	27%	25%	2,3	-0,1	28%	-1%	
By security type											
NBK notes	9,4	7,3	5,0	28%	18%	12%	-2,2	-2,3	-23%	-31%	
MFRK bonds	18,5	23,2	26,2	54%	58%	64%	4,7	3,1	26%	13%	
MFRK Eurobonds	5,6	6,8	7,2	16%	17%	18%	1,2	0,4	22%	6%	
LEB bonds	0,6	2,5	2,8	2%	6%	7%	1,9	0,3	347%	13%	

For MFRK bonds, there is a trend towards an increase in the volume of long-term bonds with a maturity of 3 to 5 years and more than 10 years, as well as short-term bonds with a maturity of less than 1 year. There is also an expansion of spreads between short-term and long-term bonds, while there is an increase in interest rates on all bonds of the MFRK.

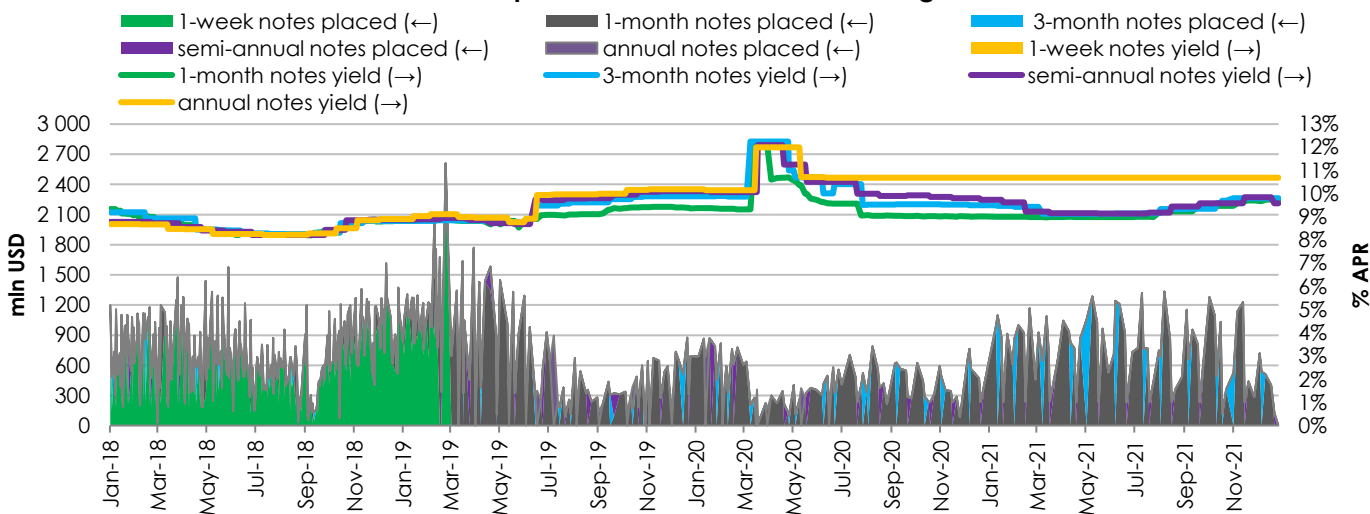
Main parameters at offering of MFRK bonds



DYNAMICS OF TRADING VOLUME

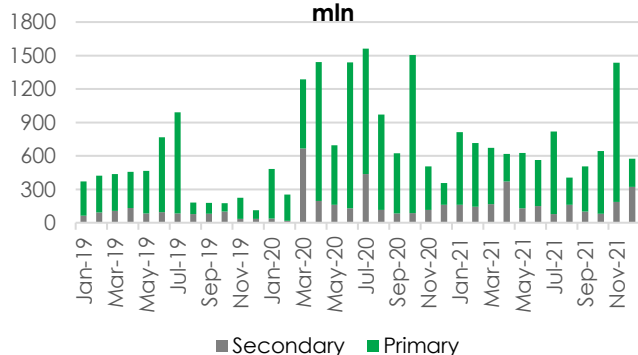
With regard to notes of the National Bank of the Republic of Kazakhstan (hereinafter – NBRK notes), since the end of 2018, there has been a transition to the issuance of longer-term instruments and a significant expansion of the spreads between the yields of short-term and long-term notes. The largest increase in yields in 2021 is observed for annual notes.

Main parameters of NBK notes offering



Deal volume

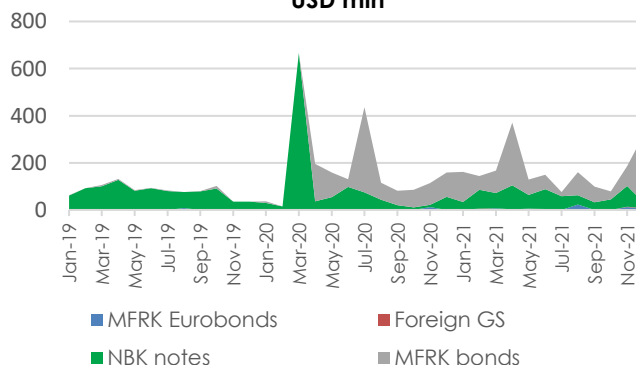
Volume of transactions in the GS market, USD mln



In 2021, the total trading volume in the primary and secondary GS markets amounted to 8,390 million USD, having decreased by 2,734 million USD, or 25%, compared to the same period last year, while a decrease in trading volume was observed both in the primary and secondary markets.

The decrease in the volume of trading in the primary market is due to the reduction in placements both by the Ministry of Finance and by local executive bodies.

Structure of trading in the secondary market, USD mln



In 2021, the republican budget deficit, according to preliminary estimates, amounted to 5,245 million USD, and the Ministry of Finance raised 5,831 million USD in the primary market to finance it.

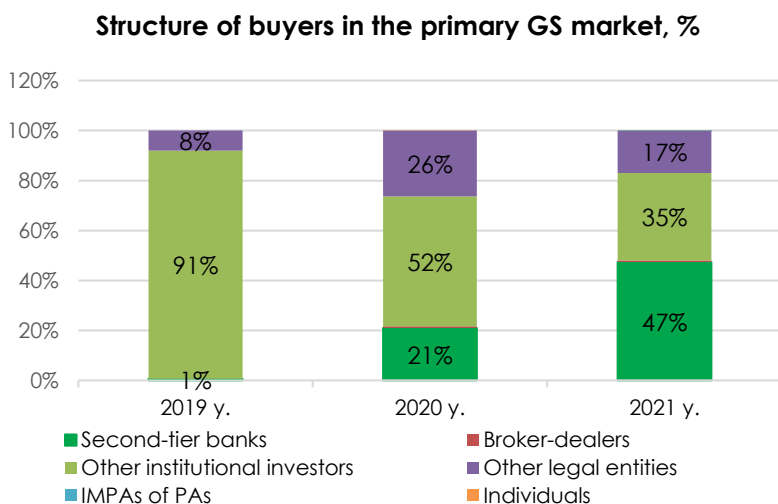
The republican budget deficit for 2022 is estimated at 6,526 million USD.

STRUCTURE OF INVESTORS

In the secondary market, the downward trend in the volume of trading in NBK notes (-404 million USD by 2020) and the growth in the volume of trading in local bonds of the MFRK (+191 million USD) continues. In general, in 2021, the volume of trading in the secondary market amounted to 2,045 million USD, which is by 7 % lower than in 2020.

Structure	Trading volume			Share in trading volume			Change in trading volume			
	2019	2020	2021	2019	2020	2021	abc 2020/ 2019	abc 2021/ 2020	2020/ 2019	2021/ 2020
GS trading volume	4 776	11 124	8 390				6 348	-2 734	133%	-25%
Primary market										
MFRK bonds	3 504	6 628	5 674	92%	74%	89%	3 124	-954	89%	-14%
LEB bonds	285	2 297	671	8%	26%	11%	2 012	-1 626	706%	-71%
Total	3 789	8 925	6 345				5 136	-2 580	136%	-29%
Secondary market										
MFRK bonds	29	1 066	1 257	3%	48%	61%	1 037	191	3599%	18%
MFRK Eurobonds	19	16	70	2%	1%	3%	-3	54	-17%	341%
NBK notes	938	1 114	710	95%	51%	35%	176	-404	19%	-36%
Foreign GS	2	3	8	0%	0%	0%	2	5	89%	151%
Total	987	2199	2045				1 212	-154	123%	-7%

Structure of investors



With the transition from placement of short-term NBK notes to medium- and long-term placements of MEKAM, in the primary market, an increasing share of the total supply of MEKAM is bought out by second-tier banks. Thus, since 2019, the share of institutional investors on the purchase side has decreased from 91 % to 35 %, while the share of second-tier banks (STBs) has increased from 1 % to 47 %. In parallel with the growth in 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, in 2021 their share was 2%. In 2021, IMPAs (investment managers of pension assets) appeared on the market, but their share in the overall structure remains insignificant, less than 1%.

In the secondary market, on the buy side, the share of second-tier banks also increased (from 7 % in 2019 to 32 % in 2021) and the share of other institutional investors decreased (from 48 % in 2019 to 11 % in 2021). On the selling side, in contrast, second-tier banks became less active (from 77 % in 2019 to 52 % in 2021), while the share of legal entities increased (from 3% in 2019 to 26% in 2021).

MATURITY

The share of non-residents in the secondary market on the buyer side in 2021 was 7 %. On the seller side, the share of non-residents was 8 %. It should be noted that in monetary terms, compared to last year, the volume of purchases of government securities by non-residents in the primary market increased from 90 to 128 million USD, and the volume of sales in the secondary market decreased from 204 to 168 million USD.

Volume of trading in the GS purchase market by types of participants, USD mln

	Purchase volume			Share in the purchase volume		
	2019	2020	2021	2019	2020	2021
Primary market						
Second-tier banks	23	1 903	3 014	1%	21%	48%
Brokers an dealers	0	48	46	0%	1%	1%
Institutional investors	3 463	4 625	2 212	91%	52%	35%
Legal entities	303	2 349	1 066	8%	26%	17%
IMPA on account of PA	0	0	2	0%	0%	0%
Individuals	0	0	5	0%	0%	0%
Total	3 789	8 925	6 345	100%	100%	100%
Non-resident	0	90	128	0%	2%	3%
Resident	3 789	8 835	6 217	100%	233%	164%
Secondary market						
Second-tier banks	66	633	646	7%	29%	32%
Brokers an dealers	53	58	187	5%	3%	9%
Institutional investors	475	939	216	48%	43%	11%
Legal entities	389	567	983	39%	26%	48%
IMPA on account of PA	0	0	7	0%	0%	0%
Individuals	4	2	6	0%	0%	0%
Total	987	2 199	2 045	100%	100%	100%
Non-resident	2	218	141	0%	10%	7%
Resident	985,4	1 981,2	1 904,0	100%	90%	93%

	Purchase volume			Share in the purchase volume		
	2019	2020	2021	2019	2020	2021
Secondary market						
Second-tier banks	756	908	1 057	77%	41%	52%
Brokers an dealers	18	53	185	2%	2%	9%
Institutional investors	183	1 077	265	18%	49%	13%
Legal entities	29	160	528	3%	7%	26%
Individuals	1	1	11	0%	0%	1%
Total	987	2 199	2 045	100%	100%	100%
Non-resident	0	204	168	0%	9%	8%
Resident	987,4	1 994,7	1 877,8	100%	91%	92%

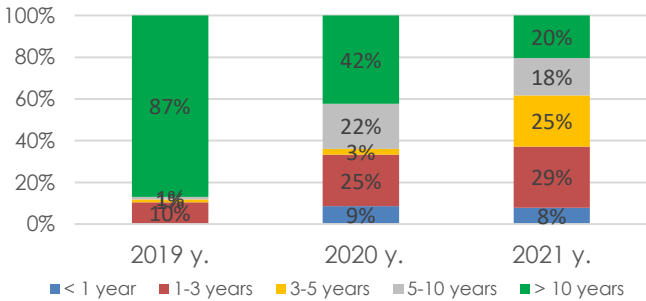
Maturity

In the primary market, in terms of maturity, the share of liabilities with maturity over ten years decreased from 42 % in 2020 to 20 % in 2021. The greatest growth was noted in the medium-term horizon from 3 to 5 years, their share in 2021 increased from 3 % to 25 %.

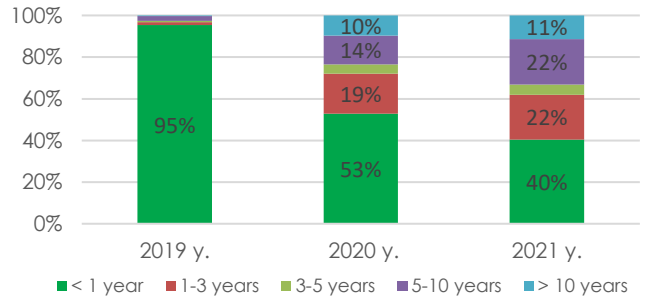
In the secondary market, in terms of maturity, there is a decrease in the share of trading in securities with maturity of up to one year from 53 % to 40 % in 2021. The largest growth in trading volume is observed with securities over a medium-term horizon of 5 to 10 years (the share of trading in these securities increased to 22 %).

MFRK MEKAM OFFERINGS

Breakdown of GS by maturity in the primary market, %



Breakdown of GS by maturity in the secondary market, %



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

Structure	Trading volume			Share in trading volume			Change in trading volume			
	2019	2020	2021	2019	2020	2021	abc 2019/2020	abc 2020/2021	2019/2020	2020/2021
Primary market										
< 1 year	0	779	504	0%	9%	8%	779	-275		-35%
1-3 years	394	2 217	1 851	10%	25%	29%	1 823	-367	462%	-17%
3-5 years	49	236	1 563	1%	3%	25%	187	1 327	382%	562%
5-10 years	49	1 902	1 132	1%	21%	18%	1 853	-770	3821%	-40%
> 10 years	3 297	3 790	1 295	87%	42%	20%	493	-2 495	15%	-66%
Total	3 789	8 925	6 345	100%	100%	100%	5 136	-2 580	136%	-29%
Secondary market										
< 1 years	942	1 168	827	95%	53%	40%	225	-340	24%	-29%
1-3 years	13	415	443	1%	19%	22%	402	28	3077%	7%
3-5 years	6	100	97	1%	5%	5%	94	-2	1558%	-2%
5-10 years	24	303	446	2%	14%	22%	279	144	1188%	47%
> 10 years	2	214	232	0%	10%	11%	212	18	9197%	8%
Total	987	2 199	2 045	100%	100%	100%	1 212	-154	123%	-7%

Offerings of MEKAM by Ministry of Finance

According to the capital raising plan, the Ministry of Finance planned to raised 5,245 million USD for 2021, the actual placement at the end of 2021 amounted to 5,831 million USD (at par).

Plan-fact of raising funds by the Ministry of Finance of the RK (at face value), mln USD

	January	February	March	April	May	June	July	August	September	October	November	December	TOTAL
2020													
Plan	460	226	638	928	554	862	1 209	402	591	1 017	375	0	7 263,0
Actual	460	226	638	928	554	862	1 209	402	591	1 017	376	0	7 263,1
Deviation	0	0	0	0	0	0	0	0	0	0	0	0	-0,2
2021													
Plan	682	606	476	233	498	345	760	208	387	552	455	41	5 245
Actual	682	606	476	233	498	345	760	208	404	470	952	196	5 831
Deviation	0	0	0	0	0	0	0	0	17	-82	497	154	586

MFRK MEKAM OFFERINGS

In the structure of GS issues of the Ministry of Finance and NBK notes, there is a trend towards consolidation: in 2020-2021, the Ministry of Finance enlarged 26 issues (20 in 2020 and 15 in 2021) and issued 22 new issues (7 issues in 2020 and 15 issues in 2021) for a total amount of 5.8 million tenge. At the same time, the amount of individual issues exceeded 600 million USD.

Enlarged issues of the Ministry of Finance of the Republic of Kazakhstan in 2021 at par, billion tenge

Issue	Amount of issue at par, bn tenge			Change during period	Redemption date
	as of 01.01.21	as of 01.01.22	Equivalent in mln USD as of 01.01.22		
MUM120_0016	3,7	276,8	641,2	273,1	27.05.2025
MUM156_0002	21,0	222,1	346,4	201,1	20.07.2023
MOM060_0052	–	180,9	522,3	180,9	04.08.2026
MUM084_0017	141,4	313,5	600,2	172,1	30.01.2024
MKM012_0149	–	156,6	260,9	156,6	20.01.2022
MUM180_0001	17,0	160,2	614,3	143,3	20.05.2024
MUM168_0005	–	140,1	228,1	140,1	10.03.2035
MUM144_0003	55,1	194,1	851,1	139,0	26.04.2023
MUM132_0007	–	135,4	159,1	135,4	26.07.2032
MUM120_0017	50,5	181,1	1 138,0	130,6	06.03.2027
MUM156_0007	–	101,4	89,1	101,4	17.02.2034
MUM180_0015	–	93,1	1 044,7	93,1	25.08.2036
MUM180_0012	548,7	640,3	612,9	91,6	04.02.2030
MUM180_0013	32,6	122,6	200,0	90,0	04.04.2033
MUM072_0013	–	89,8	449,2	89,8	19.05.2027
MUM084_0018	–	63,3	140,9	63,3	12.04.2028
KZ_18_2606	–	57,7	409,4	57,7	22.06.2026
KZ_19_2806	–	57,7	140,9	57,7	19.06.2028
KZ_20_3106	–	57,7	409,4	57,7	16.06.2031
KZ_21_3106	–	57,7	140,9	57,7	16.06.2031
MUM096_0012	–	57,6	408,6	57,6	28.07.2029
MUM132_0003	46,3	96,5	236,2	50,2	25.03.2022
MUM240_0001	37,7	87,8	371,5	50,0	24.04.2032
MUM144_0009	–	47,1	126,7	47,1	23.08.2033
MUM120_0019	–	45,2	356,7	45,2	17.03.2031
MUM096_0011	30,0	44,9	125,8	14,9	27.10.2028
MUM180_0011	188,6	202,5	1 609,4	13,9	13.08.2029
KZ_15_2309	113,0	115,4	71,7	2,4	20.09.2023
KZ_16_2709	56,5	57,7	804,7	1,2	15.09.2027
KZ_17_3009	56,5	57,7	71,7	1,2	11.09.2030

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