

Analysis of the government securities market

January 2023

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, 2023, the amount of public debt traded on KASE totaled 46,7 billion USD, having increased by USD5,45 bn, or 13%, since the beginning of the year. This growth was caused by an increase in placements by the Ministry of Finance (hereinafter – the MinFin, MFRK) of current and new issues of MEKAM by USD4,5 bn and Eurobonds – by USD1,5 bn. The volume of new issues of notes of the National Bank of the Republic of Kazakhstan (hereinafter – the NBRK) showed a small decrease in the fourth quarter of 2022 (USD67 mln). The decrease in the volume of bonds issued by akimdiks (hereinafter – LEB) by USD448 mln slightly limited the growth of public debt.

As of January 1, 2023, there were no significant changes in the structure of government debt traded on KASE by maturity: the share of medium-term government securities with a term of one to three years (20%) and from three to five years (18%) is gradually increasing, and the share of long-term ones of more than ten years (21%) and from five to ten years (20%) is decreasing:

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

Structure	Amount of public debt			Share in the amount of public debt traded on KASE			Change in the amount of public debt			
	01.01.2021	01.01.2022	01.01.2023	01.01.2021	01.01.2022	01.01.2023	abc 01.01.22/ 01.01.21	abc 01.01.23/ 01.01.22	01.01.22/ 01.01.21	01.01.23/ 01.01.22
Amount of public debt traded on KASE	39,8	41,3	46,7				1,5	5,45	4%	13%
By maturity										
< 1 year	9,7	8,8	9,4	24%	21%	20%	-0,9	0,6	-9%	7%
1-3 years	6,1	7,0	9,5	15%	17%	20%	0,8	2,5	14%	36%
3-5 years	5,4	6,1	8,5	14%	15%	18%	0,7	2,4	13%	40%
5-10 years	8,0	9,0	9,5	20%	22%	20%	0,9	0,5	11%	6%
> 10 years	10,6	10,5	9,8	27%	25%	21%	-0,1	-0,7	-1%	-6%
By security type										
NBK notes	7,3	5,0	4,9	18%	12%	11%	-2,3	-0,1	-31%	-1%
MFRK bonds	23,2	26,2	30,7	58%	64%	66%	3,0	4,5	13%	17%
MFRK Eurobonds	6,8	7,2	8,7	17%	18%	19%	0,4	1,5	6%	20%
LEB bonds	2,5	2,8	2,4	6%	7%	5%	0,3	-0,4	13%	-16%

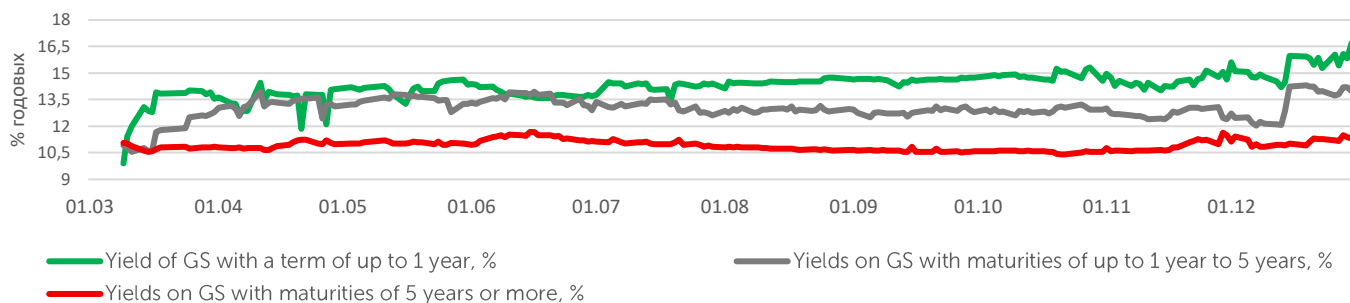
On October 26, the Monetary Policy Committee of the National Bank of the Republic of Kazakhstan decided to set the key rate at 16% per annum, raising it by 150 b.p. with an interest corridor of +/- 1.00 p.p.

On December 5, the National Bank again decided to raise the key rate to 16.75% per annum, while the rate of inflation in November was 19.6%.

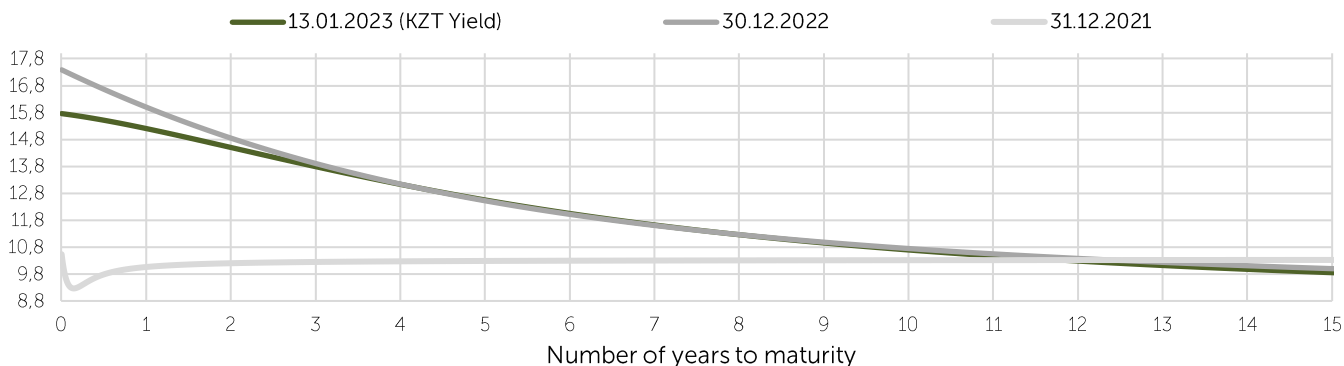
In the fourth quarter, the yield of the placed government securities of the Ministry of Finance rose to 13.9-16.581% per annum, having increased compared to the third quarter, when the yield fluctuated in the range from 14% to 15.6%. Due to the increase in the cost of borrowing, in the fourth quarter of 2022, the Ministry of Finance borrowed only for the short and medium term from two to five years for existing and new placements: 2 issues for two-year, 3 – for three-year, 4 – for four-year securities and 5 placements of five-year government securities. The volume of placements on 14 issues in the fourth quarter amounted to KZT1,399 bn. The most popular were five-year bonds of the MFRK, with the demand making up 438% of the offer, and the yield was at 16%.

DYNAMICS OF TRADING VOLUME

Indicators of profitability of government securities of the Ministry of Finance

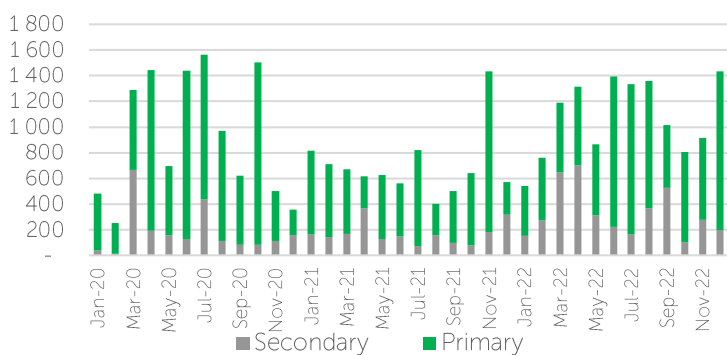


Risk-free yield curve (non-indexed GS)



Volume of deals

Volume of transactions in the government securities market, USD mln

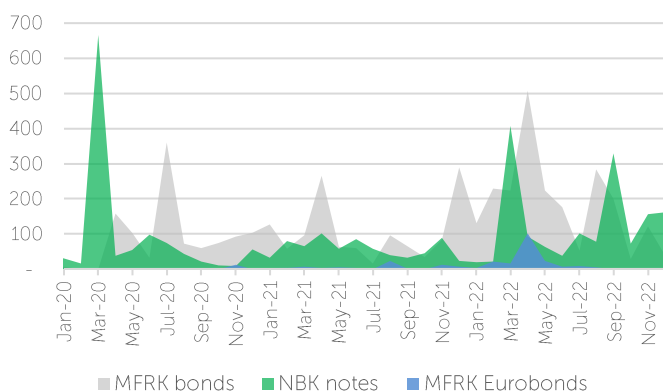


For 2022, the republican budget deficit was projected at the level of USD6,474 bn, or 3.3% of GDP, in order to fill which the Ministry of Finance raised USD9,728 bn in the primary market in 2022.

As of December 1, 2022, the republican budget deficit was recorded in the amount of USD3,552 mln, which is less than in the same period last year, when it was USD4,829 mln.

In 2022, the total trading volume in the primary and secondary government securities markets amounted to USD12,9 bn, having increased by USD4,6 bn compared to the previous year, more than 1,5 times, due to an increase in trading volume both in the primary market by USD2,6 bn, and in the secondary market by USD1,9 bn. Borrowings from all issuers increased, except for local executive bodies.

Structure of trading in the secondary market, USD mln



* Here and below, the data are given without taking into account trades in foreign government securities

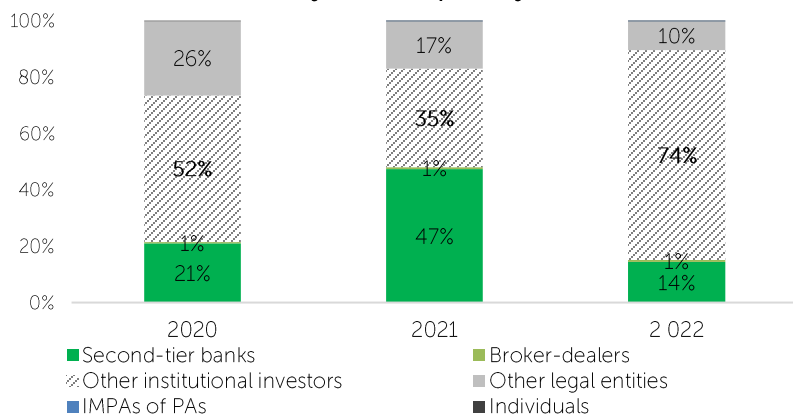
STRUCTURE OF INVESTORS

In the secondary market, the volume of trades for the year increased in all categories of government securities. In general, in 2022, the volume of trading in the secondary market amounted to USD3,949 bn, almost doubling compared to 2021. The volume of trades in bonds of the Ministry of Finance increased by USD957 mln, or 76%. The volume of trades in Eurobonds of the Ministry of Finance increased 2,8 times, but it takes an insignificant share in the structure of trades

Structure	Trading volume			Share in trading volume			Change in trading volume			
	2020	2021	2022	2020	2021	2022	abc 2021/2020	abc 2022/2021	% 2021/2020	% 2022/2021
GS trading volume	11 121	8 382	12 938				-2 739	4 556	-25%	54%
Primary market										
LEB bonds	2 297	671	375	26%	11%	4%	-1 626	-296	-71%	-44%
MFRK bonds	6 628	5 674	8 613	74%	89%	96%	-954	2 940	-14%	52%
Total	8 925	6 345	8 988				-2 580	2 643	-29%	42%
Secondary market										
MFRK bonds	1 066	1 257	2 214	49%	62%	56%	191	957	18%	76%
MFRK Eurobonds	16	70	193	1%	3%	5%	54	123	341%	176%
NBK notes	1 114	710	1 543	51%	35%	39%	-404	833	-36%	117%
Total	2 196	2 037	3 949				-159	1 912	-7%	94%

Structure of investors

Structure of buyers in the primary GS market, %



In 2022, the structure of investors on the part of buyers of government securities in the primary market has changed. The share of institutional investors increased from 35% to 74%, while the share of second-tier banks (STB) decreased from 47% to 14%.

Since the beginning of 2022, the share of pension asset investment managers (hereinafter – IMPA) has been gradually increasing, but in the overall structure it still remains insignificant, about 1%.

In the secondary market, the trading volume of individuals in 2022 increased 6 times compared to the previous year, but their share in the trading volume structure as of January 1, 2023 was approximately 1%.

In the secondary market, on the buy side, the share of other legal entities has increased (from 48% to 54%) and the share of broker-dealers has decreased (from 9% to 3%) since the beginning of 2022. On the sale side of the secondary market, a similar trend is observed: the share of legal entities has increased from 26% to 35%, while the shares of other categories of investors are declining.

MATURITY

The trading volume of non-residents in the secondary market on the buy side in 2022 increased 2.3 times compared to 2021, while their share remained almost unchanged on both the buy and sell sides and amounted to 8% and 6%, respectively.

Volume of trading in the GS purchase market by type of participant, million USD

	Purchase volume			Share in the purchase volume		
	2020	2021	2022	2020	2021	2022
Primary market						
Second-tier banks	1 903,1	3 013,9	1 300,9	21%	48%	14%
Brokers an dealers	47,6	46,3	67,7	1%	1%	1%
Institutional investors	4 624,9	2 212,1	6 682,8	52%	35%	74%
Legal entities	2 349,3	1 066,1	934,5	26%	17%	10%
IMPA on account of PA	0,0	1,9	2,3	0%	0%	0%
Individuals	0,1	4,6	0,0	0%	0%	0%
Total	8 925,0	6 344,9	8 988,3	100%	100%	100%
Non-resident	89,6	128,0	0,0	1%	2%	0%
Resident	8 835,4	6 216,9	8 988,3	99%	98%	100%
Secondary market						
Second-tier banks	632,9	645,9	1 168,7	29%	32%	30%
Brokers an dealers	57,3	183,6	116,9	3%	9%	3%
Institutional investors	938,6	214,9	444,9	43%	11%	11%
Legal entities	566,5	980,7	2 167,2	26%	48%	55%
IMPA on account of PA	0,0	6,7	22,6	0%	0%	1%
Individuals	0,2	5,2	29,1	0%	0%	1%
Total	2 195,6	2 037,0	3 949,4	100%	100%	100%
Non-resident	216,8	141,4	293,4	10%	7%	7%
Resident	1 978,8	1 895,6	3 656,0	90%	93%	93%

Volume of trading in the GS sale market by type of participant, million USD

	Sales volume			Share in the sales volume		
	2 020	2 021	2022	2 020	2 021	2022
Secondary market						
Second-tier banks	908,0	1 057,1	2 009,5	41%	52%	51%
Brokers an dealers	51,8	180,3	97,2	2%	9%	2%
Institutional investors	1 075,3	264,5	406,6	49%	13%	10%
Legal entities	159,4	524,5	1 423,7	7%	26%	36%
Individuals	1,1	10,6	12,3	0%	1%	0%
Total	2 195,6	2 037,0	3 949,4	100%	100%	100%
Non-resident	204,3	166,7	261,6	9%	8%	7%
Resident	1 991,3	1 870,3	3 687,8	91%	92%	93%

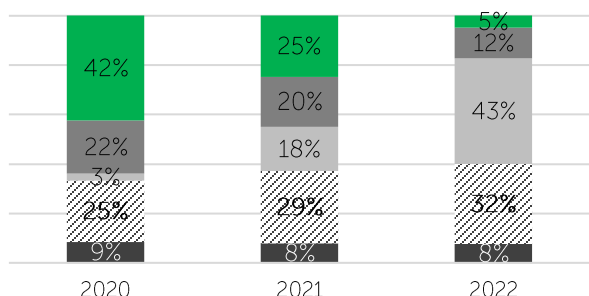
Maturity

In the primary market, in terms of maturity, the share of liabilities with maturity of 3 to 5 years increased from 18% to 43% since the beginning of 2022. The share of long-term securities with maturity of 5 to 10 years and more than 10 years decreased from 20% to 12% and from 25% to 5%, respectively, compared to the previous year.

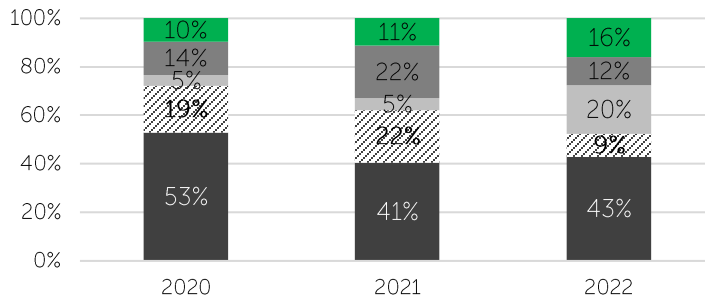
In the secondary market, in terms of maturity, there is an increase in the share of trading in securities with maturity of more than 3 to 5 years from 5% to 20% and with maturity of more than 10 years – from 11% to 16%. The share of short-term securities with maturity of 1 to 3 years decreased from 22% to 9%, and that of medium-term securities with maturity of 5 to 10 years – from 22% to 12%.

MINFIN'S MEKAM PLACEMENTS

Breakdown of GS by maturity in the primary market, %



Breakdown of GS by maturity in the secondary market, %



■ < 1 year ■ 1-3 years ■ 3-5 years ■ 5-10 years ■ > 10 years

Breakdown of trades in government securities market by maturity, million USD

Structure	Trading volume			Interest in trading volume			Change in trading volume			
	2020	2021	2022	2020	2021	2022	abc 2021/2020	abc 2022/2021	% 2020/2021	% 2021/2022
Primary market										
< 1 year	779	504	688	9%	8%	8%	-275	184	-35%	37%
1-3 years	2 217	1 851	2 917	25%	29%	32%	-367	1 066	-17%	58%
3-5 years	236	1 132	3 810	3%	18%	42%	896	2 679	380%	237%
5-10 years	1 902	1 295	1 101	21%	20%	12%	-607	-194	-32%	-15%
> 10 years	3 790	1 563	472	42%	25%	5%	-2 227	-1 091	-59%	-70%
Total	8 925	6 345	8 988	100%	100%	100%	-2 580	2 643	-29%	42%
Secondary market										
< 1 year	1 168	827	1 661	53%	41%	42%	-340	834	-29%	101%
1-3 years	415	442	383	19%	22%	10%	27	-59	7%	-13%
3-5 years	99	97	787	5%	5%	20%	-2	690	-2%	711%
5-10 years	300	440	479	14%	22%	12%	140	39	47%	9%
> 10 years	214	230	640	10%	11%	16%	16	409	8%	178%
Total	2 196	2 037	3 949	100%	100%	100%	-159	1 912	-7%	94%

MinFin's MEKAM placements

According to the updated schedule of issuing government securities for 2022 dated November 28, 2022, the Ministry of Finance of the Republic of Kazakhstan planned to place USD9,498 mln in 2022, which is almost twice as much as the placement volume in 2021. Thus, in 2022, USD9,728 mln were actually placed at par, while the originally planned volume of placement was only USD6,526 mln. For 2023, the volume of government securities placements is planned in the amount of USD10,6 bn.

Plan-fact of fundraising 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	In total
2021 Plan	682	606	476	233	498	345	760	208	387	552	455	41	5245
2021 Actual	682	606	531	252	516	434	770	248	405	569	1239	250	6502
Deviation	0	0	55	19	18	89	10	40	18	17	784	209	1258
2022 Plan	390	491	475	595	461	1 183	1 269	1 089	509	746	885	1 406	9 498
2022 Actual	391	474	431	594	506	1 259	1 311	1 108	461	681	613	1 264	9 728
Deviation	1	-17	-44	0	46	76	42	19	-48	-65	-273	-142	-230

MEKAM OFFERINGS BY MINISTRY OF FINANCE

In the structure of GS issues of the Ministry of Finance and NBRK notes, the trend towards consolidation continued: for 2022. The Ministry of Finance enlarged 27 issues and made 15 new placements for a total of USD10,4 bn. At the same time, the amount of individual issues exceeded USD600 mln.

Consolidated issues of the Ministry of Finance of the Republic of Kazakhstan in 2022 at par, mln USD

Issue	Issue amount at face value, million USD		Equivalent in billions KZT on 01.01.23	Change over the period	Maturity date
	As of 01.01.22	As of 01.01.23			
KZ_22_4507	-	1 500	691	1 500	21.07.2045
MUM072_0013	208	954	440	746	19.05.2027
MUM156_0005	103	810	373	707	20.06.2027
MUM180_0002	24	655	302	631	24.06.2024
MOM036_0091	-	627	289	627	11.02.2025
MTM048_0001	-	559	258	559	09.09.2026
MOM048_0054	-	555	256	555	16.09.2026
MTM060_0001	-	521	240	521	14.10.2027
MUM144_0003	450	916	422	467	26.04.2023
MTM036_0001	-	471	217	471	05.08.2025
MUM120_0017	420	850	392	431	06.03.2027
MOM048_0052	-	394	182	394	21.01.2026
MUM084_0018	147	499	230	352	12.04.2028
MUM180_0001	371	680	313	309	20.05.2024
MOM060_0054	-	260	120	260	18.11.2027
MKM012_0151	-	260	120	260	12.08.2023
MUM120_0014	46	302	139	256	06.08.2024
MOM036_0092	-	224	103	224	24.06.2025
MTM072_0001	-	217	100	217	18.11.2028
MKM012_0150	-	170	79	170	24.01.2023
MOM048_0053	-	167	77	167	24.06.2026
KZ_07_2507	2 500	2 500	1 152	-	21.07.2025
MUM180_0016	-	148	68	148	28.01.2037
KZ_05_2410	1 500	1 500	691	-	14.10.2024
MUM144_0009	109	182	84	73	23.08.2033
MUM156_0007	235	298	137	63	17.02.2034
MUM132_0007	314	369	170	55	26.07.2032
MUM120_0019	105	171	79	66	17.03.2031
MUM180_0015	216	267	123	51	25.08.2036
KZ_06_4410	1 000	1 000	461	-	14.10.2044
MUM096_0011	104	158	73	54	27.10.2028
MUM096_0012	133	186	86	52	28.07.2029
MUM096_0013	-	35	16	35	04.02.2030
KZ_15_2309	267	279	129	12	20.09.2023
KZ_16_2709	134	139	64	6	15.09.2027
KZ_17_3009	134	139	64	6	11.09.2030
KZ_18_2606	134	139	64	6	22.06.2026
KZ_19_2806	134	139	64	6	19.06.2028
KZ_20_3106	134	139	64	6	16.06.2031
KZ_21_3106	134	139	64	6	16.06.2031
KZ_10_2811	593	559	258	- 34	09.11.2028
KZ_14_2609	565	533	246	- 32	30.09.2026

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