

# Analysis of the government securities market

April 2022

**K****SE**

Қазақстан қор биржасы  
Казахстанская фондовая биржа  
Kazakhstan Stock Exchange

# GOVERNMENT DEBT TRADED ON KASE

## Public debt traded on KASE

As of April 1, 2022, the amount of public debt traded on KASE made up 37,7 million USD, having decreased by 3,6 million tenge, or 9%, since the beginning of the year. The decrease in the volume of new issues of notes of the National Bank of the Republic of Kazakhstan (hereinafter referred to as the NBRK) by USD 1,773 mln was partially offset by a slight increase in offerings on current and new issues of MEKAM (KZT 1,235 mln) and Eurobonds (USD 127 mln) of the Ministry Finance (hereinafter – the MinFin , MFRK).

As of April 1, 2022, the following changes are observed in the structure of public debt traded on KASE in terms of maturity: the share of short-term government securities with a term of less than one year (16%) is gradually decreasing. At the same time, the share of medium-term government securities with a term of one to three years (18%) and from three to five years (17%), as well as the share of long-term government securities from five to ten (22%) and more than ten years (28%) is growing:

## Structure of the public debt (at par) traded on KASE, USD mln

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	01.04.2021	01.01.2022	01.04.2022	01.01.2021	01.04.2021	01.01.2022	01.04.2022	abc 01.01.21/ 01.01.22	abc 01.01.22/ 01.04.22	01.01.21/ 01.01.22	01.01.22/ 01.04.22
Amount of public debt traded on KASE	39,8	42,1	41,3	37,7					1,5	-3,6	4%	-11%
<b>By maturity</b>												
< 1 year	9,7	12,0	8,8	5,9	24%	29%	21%	16%	-0,9	-2,9	-9%	-51%
1-3 years	6,1	5,9	7,0	6,6	15%	14%	17%	18%	0,8	-0,4	14%	12%
3-5 years	5,4	5,1	6,1	6,5	14%	12%	15%	17%	-0,3	0,4	13%	27%
5-10 years	8,0	8,4	9,0	8,4	20%	20%	22%	22%	0,3	-0,6	11%	0%
> 10 years	10,6	10,7	10,5	10,4	27%	25%	25%	28%	-0,1	-0,1	-1%	-3%
<b>By security type</b>												
NBK notes	7,3	8,4	5,0	3,2	18%	20%	12%	9%	1,1	-1,77	15%	-36%
MFRK bonds	23,2	24,6	26,2	25,0	58%	59%	64%	66%	1,4	-1,24	6%	-5%
MFRK Eurobonds	6,8	6,7	7,2	7,1	17%	16%	18%	19%	-0,1	-0,13	-1%	-2%
LEB bonds	2,5	2,4	2,8	2,4	6%	6%	7%	6%	-0,1	-0,5	-5%	-16%

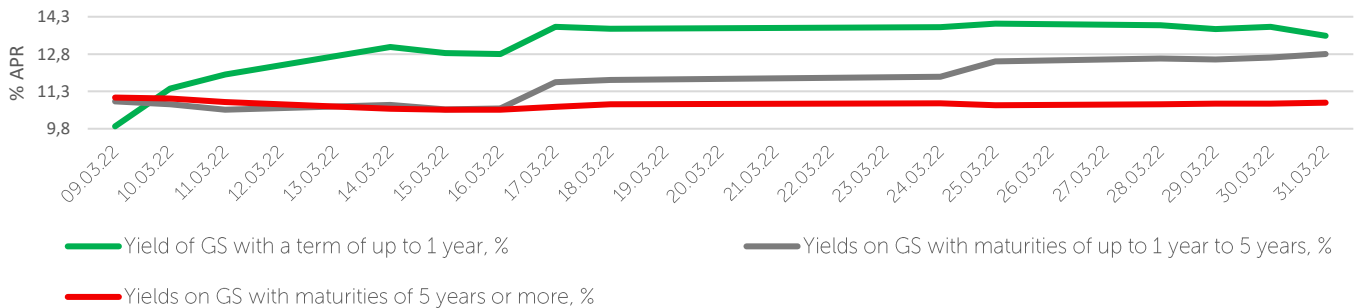
On March 9, the National Bank decided to keep the base rate at 13.5 percent per annum.

The yield of the government securities of the Ministry of Finance being placed, which fluctuated within 10.40-11.05 % per annum in January, rose to 12.5-13.7 % per annum in March. Due to the high borrowing rate, the Ministry of Finance decided to reduce the amount of issues and issue more short-term debt. For a period of one to five years, 315,2 mln USD was raised in March. According to the plan, 140,8 mln USD were supposed to be raised for this period, and the remainder was meant to be issued for a longer horizon.

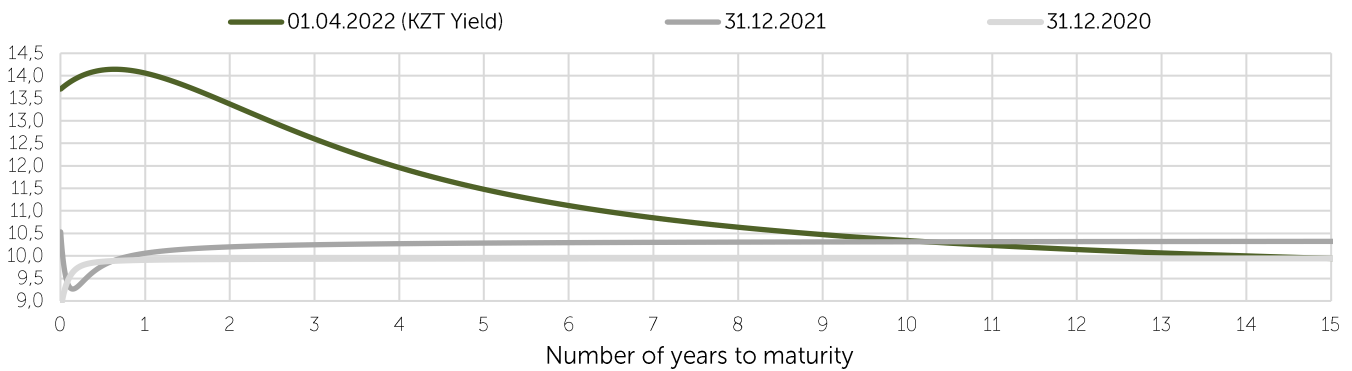
From March 9, Kazakhstan Stock Exchange has started calculating new indicators of the government securities market, tracking the dynamics of prices and yields of government securities with horizons of less than one year, from one to five years and from five years or more.

## DYNAMICS OF TRADING VOLUME

### Indicators of profitability of government securities of the Ministry of Finance

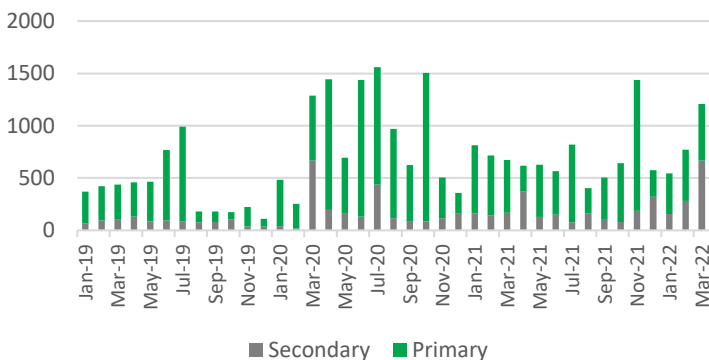


### Risk-free yield curve (non-indexed GS)



## Volume of transactions

### Volume of transactions in the government securities market, USD mln

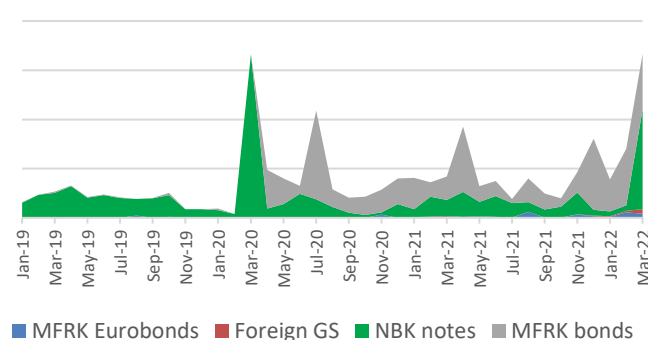


In January-March 2022, the total trading volume in the primary and secondary government securities markets amounted to 2,523 USD mln, an increase by 323 USD million, or 15%, compared to the same period last year, due to an increase in trading volume in the secondary market by 628 USD million, or 132%. At the same time, in the primary market, the volume of trading decreased by 305 million USD, or 18%, which was due to a reduction in offerings by local executive bodies.

For 2022, the deficit of the republican budget is forecasted at the level of 6,3 million USD, in order to finance which the Ministry of Finance raised 1,366 million USD in the primary market in three months of 2022.

On April 5, 2022, a draft law was presented to clarify the republican budget for 2022, according to which it is planned to increase budget spending by 5.7 million USD to implement the tasks set by the president.

### Structure of trading in the secondary market, USD mln



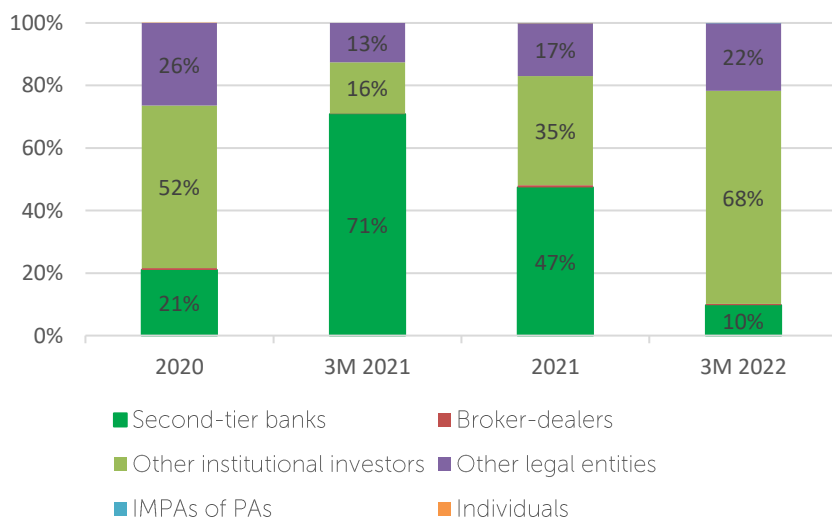
# STRUCTURE OF INVESTORS

In the secondary market, the volume of trades for the year increased in all categories of government securities. In general, for the first quarter of 2022, the volume of trading in the secondary market amounted to 1,102 million USD, which is 132 % higher than for the same period in 2021.

Structure	Trading volume				Share in trading volume				Change in trading volume			
	2020	3M 2021	2021	3M 2022	2020	3M 2021	2021	3M 2022	abc 2021/2020	abc 3M 2022/ 3M 2021	% 2021/2020	% 3M 2020/ 3M2021
<b>GS trading volume</b>	<b>11 124</b>	<b>2 200</b>	<b>8 390</b>	<b>2 523</b>					<b>-2 734</b>	<b>323</b>	<b>-25%</b>	<b>15%</b>
<b>Primary market</b>												
LEB bonds	2 297	55	671	131	26%	3%	11%	9%	-1 626	76	-71%	137%
MFRK bonds	6 628	1 671	5 674	1 290	74%	97%	89%	91%	-954	-381	-14%	-23%
<b>Total</b>	<b>8 925</b>	<b>1 726</b>	<b>6 345</b>	<b>1 421</b>					<b>-2 580</b>	<b>-305</b>	<b>-29%</b>	<b>-18%</b>
<b>Secondary market</b>												
MFRK bonds	1 066	281	1 257	584	48%	59%	61%	53%	191	303	18%	108%
MFRK Eurobonds	16	12	70	42	1%	3%	3%	4%	54	30	341%	246%
NBK notes	1 114	179	710	449	51%	38%	35%	41%	-404	270	-36%	151%
Foreign GS	3	2	8	28	0%	0%	0%	2%	5	25	151%	1097%
<b>Total</b>	<b>2199</b>	<b>474</b>	<b>2045</b>	<b>1102</b>					<b>-154</b>	<b>628</b>	<b>-7%</b>	<b>132%</b>

## Structure of investors

**Structure of buyers in the primary GS market, %**



At the beginning of 2022, there were changes in the structure of investors on the part of buyers of government securities. The share of institutional investors increased from 16 % to 68 %, while the share of second-tier banks (STB) decreased from 71 % to 10%. In parallel with the decrease in the share of second-tier banks in the structure of buyers, the share of non-residents also decreased: if in the first quarter of 2021 their share was 3 %, then in the first three months of 2022, non-residents did not participate in the purchase of government securities on the primary market. In 2021, IMPAs (investment managers of pension assets) appeared on the market, but their share in the overall structure is still insignificant, less than 1 %.

In the secondary market, on the buy side, a similar trend is observed: the share of institutional investors (from 12 % to 30 %) and legal entities (from 35% to 57%) has also increased, and the share of second-tier banks has decreased (from 51% to 11% since the beginning of 2022). On the selling side, on the contrary, second-tier banks are still active, their share is 44 %, but the main share – 52 % - falls on legal entities.

# MATURITY

The share of non-residents in the secondary market on the buyer side for the first quarter of 2022 did not change compared to the same period in 2022 and amounted to 17 %. On the seller side, the share of non-residents decreased from 10 % to 2 %. It should be noted that in monetary terms, compared to last year, the volume of purchases of government securities by non-residents in the secondary market increased from 80,5 to 177,7 million USD, and the volume of sales in the secondary market decreased from 47,7 to 20,9 million USD.

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

	Purchase volume				Share in the purchase volume			
	2 020	3M 2021	2 021	3M 2022	2 020	3M 2021	2 021	3M 2022
<b>Primary market</b>								
Second-tier banks	1 903,1	1 223,5	3 013,9	143,4	21%	71%	48%	10%
Brokers an dealers	47,6	2,6	46,3	5,7	1%	0%	1%	0%
Institutional investors	4 624,9	281,2	2 212,1	971,3	52%	16%	35%	68%
Legal entities	2 349,3	218,6	1 066,1	299,8	26%	13%	17%	21%
IMPA on account of PA	0,0	0,0	1,9	0,8	0%	0%	0%	0%
Individuals	0,1	0,0	4,6	0,0	0%	0%	0%	0%
<b>Total</b>	<b>8 925,0</b>	<b>1 725,9</b>	<b>6 344,9</b>	<b>1 421,1</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Non-resident	89,6	51,0	128,0	0,0	1%	3%	2%	0%
Resident	8 835,4	1 674,9	6 216,9	1 421,1	99%	97%	98%	100%
<b>Secondary market</b>								
Second-tier banks	632,9	241,5	645,9	117,8	29%	51%	32%	11%
Brokers an dealers	57,6	11,2	186,8	16,2	3%	2%	9%	1%
Institutional investors	938,9	54,8	216,4	321,4	43%	12%	11%	29%
Legal entities	567,3	165,6	983,2	638,7	26%	35%	48%	58%
IMPA on account of PA	0,0	0,9	6,7	3,9	0%	0%	0%	0%
Individuals	2,2	0,3	6,4	4,1	0%	0%	0%	0%
<b>Total</b>	<b>2 199,0</b>	<b>474,3</b>	<b>2 045,4</b>	<b>1 102,0</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Non-resident	217,8	80,5	141,4	177,7	10%	17%	7%	16%
Resident	1 981,2	393,9	1 904,0	924,3	90%	83%	93%	84%

## Volume of trading in the GS sale market by type of participants, USD mln

	Sales volume				Share in the sales volume			
	2020	3M 2021	2021	3M 2022	2020	3M 2021	2021	3M 2022
<b>Secondary market</b>								
Second-tier banks	908,0	216,4	1 057,1	476,2	41%	46%	52%	44%
Brokers an dealers	53,4	11,1	184,5	19,1	2%	2%	9%	2%
Institutional investors	1 076,8	174,3	264,9	12,8	49%	37%	13%	1%
Legal entities	159,6	71,5	527,8	587,1	7%	15%	26%	52%
Individuals	1,2	1,0	11,1	6,8	<1%	0%	1%	1%
<b>Total</b>	<b>2 199,0</b>	<b>474,3</b>	<b>2 045,4</b>	<b>1 102,0</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Non-resident	204,3	47,7	167,6	20,9	9%	10%	8%	2%
Resident	1 994,7	426,7	1 877,8	1 081,1	91%	90%	92%	98%

## Maturity

In the primary market, by maturity, the share of liabilities maturing over ten years increased from 13 % to 32 % in the first quarter of 2022. The share of short-term securities with a maturity of up to a year, on the contrary, decreased from 27 % to 1 % compared to the same period last year.

In the secondary market, by maturity, there is a similar upward trend in the share of trading in securities with maturities of over 10 years from 7 % to 29 % in the first quarter of 2022. There is also a decrease in trading volume for short-term securities with a maturity of 1 to 3 years from 36 % to 5 % in the first three months of 2022.



## ISSUES OF MINISTRY OF FINANCE OF THE RK

In the structure of GS issues of the Ministry of Finance and NBRK notes, the trend towards consolidation continued: in the first quarter of 2022, the Ministry of Finance enlarged 9 issues and made 5 new placements for a total of 1,203 mln USD. At the same time, the amount of individual issues exceeded 300 mln USD.

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

Issue	Issue amount at par, USD mln		Equivalent in bln KZT as of 01.04.22	Change over the period	Maturity date
	01.01.2022	01.04.22			
MUM072_0013	208,1	370,7	169,8	162,5	19.05.2027
MUM180_0016		149,2	68,4	149,2	28.01.2037
MOM048_0052		139,5	63,9	139,5	21.01.2026
MOM036_0091		132,4	60,7	132,4	11.02.2025
MKM012_0150		113,1	51,8	113,1	24.01.2023
MUM144_0009	109,0	183,0	83,9	74,0	23.08.2033
MUM156_0007	234,9	299,4	137,2	64,5	17.02.2034
MUM132_0007	313,8	371,2	170,1	57,5	26.07.2032
MUM120_0019	104,7	171,9	78,7	67,2	17.03.2031
MUM180_0015	215,7	268,3	122,9	52,7	25.08.2036
MUM096_0011	104,0	159,1	72,9	55,1	27.10.2028
MUM096_0012	133,4	186,8	85,6	53,4	28.07.2029
MUM180_0002	23,9	71,2	32,6	47,3	24.06.2024
MUM096_0013		34,9	16,0	34,9	04.02.2030

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## KASE CONTACTS

### Department of Information and Statistics

+7 727 237 53 28

+7 727 237 53 23

+7 727 237 53 15

[info@kase.kz](mailto:info@kase.kz)