

Analysis of the government securities market

October 2022

K**SE**

Қазақстан қор биржасы
Казахстанская фондовая биржа
Kazakhstan Stock Exchange

GOVERNMENT DEBT TRADED ON KASE

Government debt traded on KASE

As of October 1, 2022, the amount of government debt traded on KASE amounted to 41 bn USD, having decreased by 324 mln USD, or 1 %, since the beginning of the year. This decline is due to a decrease in the volume of new note issues of the National Bank of the Republic of Kazakhstan (hereinafter – the NBRK) (-516 mln USD) from the second quarter of 2021 and the decrease in the volume of bonds issued by akimdiks (hereinafter – LEBs) by 324 mln USD. The upward trend in offerings of existing and new issues of MEKAM by USD1,361 bn and Eurobonds of the Ministry of Finance (hereinafter – the MinFin, MFRK) – by 160 mln tenge continues.

As of October 1, 2022, there were no significant changes in the structure of government debt traded on KASE in terms of maturities: the share of medium-term government securities with a term of one to three years (22%) is gradually increasing, and the share of those maturing in more than ten years (20%) decreases:

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	01.10.2021	01.01.2022	01.10.2022	01.01.2021	01.10.2021	01.01.2022	01.10.2022	abc	01.01.21/ 01.01.22	abc	01.01.22/ 01.10.22	01.01.21/ 01.01.22	01.07.21/ 01.10.22
Amount of public debt traded on KASE	39,8	41,4	41,3	41,0					1,5	-0,32	4%	-1%		
By maturity														
< 1 year	9,7	10,1	8,8	8,2	24%	24%	21%	20%	-0,9	-0,6	-9%	-19%		
1-3 years	6,1	5,2	7,0	9,0	15%	13%	17%	22%	0,8	2,0	14%	72%		
3-5 years	5,4	7,2	6,1	6,9	14%	17%	15%	17%	1,8	0,8	13%	-4%		
5-10 years	8,0	8,8	9,0	8,7	20%	21%	22%	21%	0,8	-0,3	11%	-2%		
> 10 years	10,6	10,1	10,5	8,3	27%	24%	25%	20%	-0,1	-2,2	-1%	-18%		
By security type														
NBK notes	7,3	6,6	5,0	3,7	18%	16%	12%	9%	-0,7	-1,329	-9%	-27%		
MFRK bonds	23,2	25,0	26,2	27,6	58%	61%	64%	67%	1,9	1,36	8%	5%		
MFRK Eurobonds	6,8	7,3	7,2	7,4	17%	18%	18%	18%	0,5	0,16	7%	2%		
LEB bonds	2,5	2,5	2,8	2,3	6%	6%	7%	6%	0,0	-0,5	-1%	-18%		

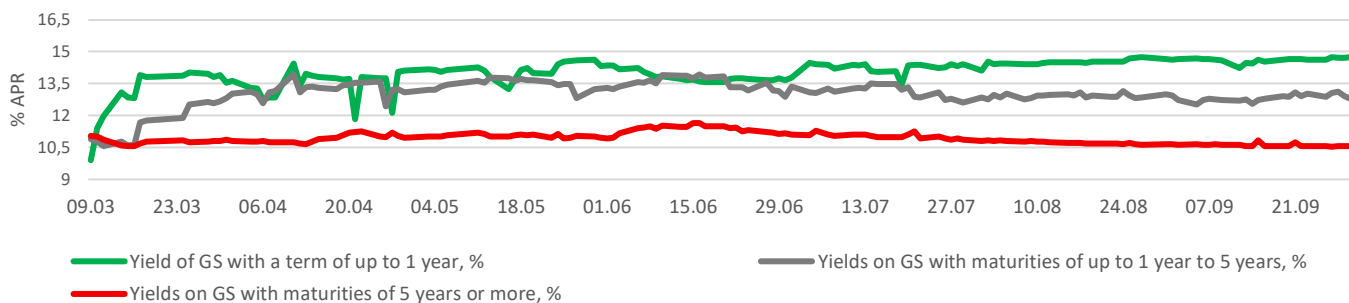
On July 26, the Monetary Policy Committee of the National Bank of the Republic of Kazakhstan decided to set the key rate at 14.5 % per annum, raising it by 50 b.p. with an interest corridor of +/- 1.00 p.p.

On September 6, the National Bank decided to keep the key interest rate at 14.5 % per annum, while the inflation rate for August was 16.1 %.

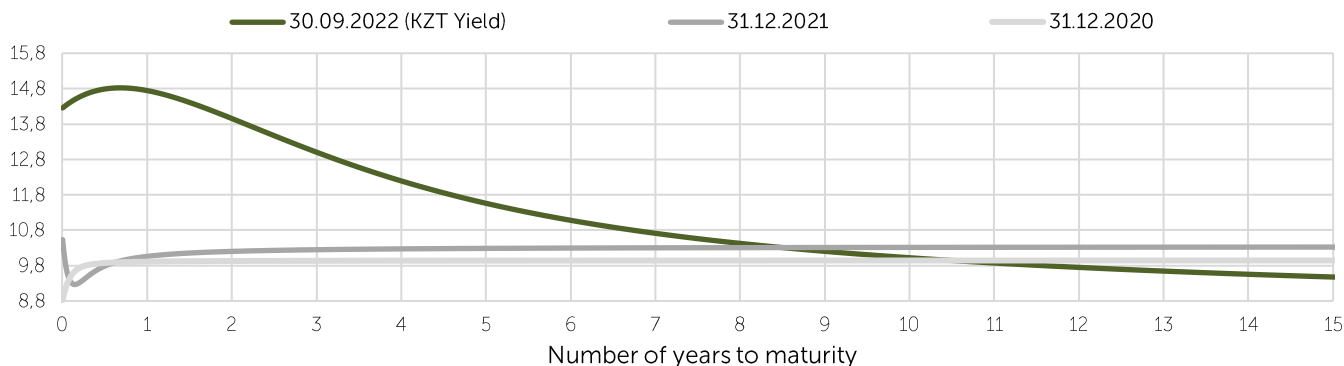
The yield of the government securities of the MinFin being placed, which fluctuated within 13.62-14.5% per annum in June, rose to 13.9-15.16% per annum in September. Due to the high borrowing rate, the MinFin in the third quarter of 2022 was securing loans only for the short and medium term from one to five years for existing and new placements: 6 issues of one-year securities, 10 issues of two-year, 6 three-year and four-year securities and 9 placements of five-year government securities. The volume of placements for 37 issues in the third quarter amounted to 1,238 bn tenge. The greatest demand was for MFRK bonds with maturity of less than 1 year, the demand for which amounted to 430% of the supply, and the yield was at the level of 14.5%.

DYNAMICS OF TRADING VOLUME

Indicators of profitability of government securities of the Ministry of Finance

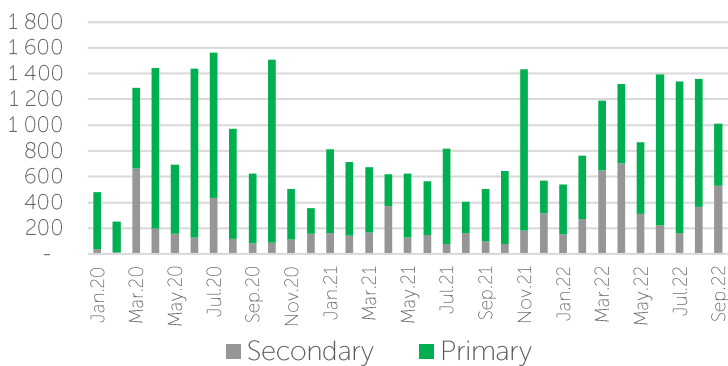


Risk-free yield curve (non-indexed GS)



Volume of deals

Volume of transactions in the government securities market, USD mln

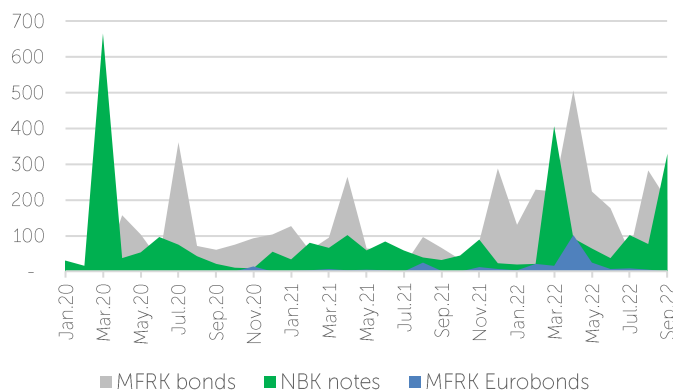


For 2022, the republican budget deficit is forecasted at the level of 6,474 million USD or 3.3% of GDP, in order to finance which the MinFin raised 3,784 million USD in the primary market in the first nine months of 2022.

As of September 1, 2022, the republican budget deficit made up approximately 2,096 mln USD, which is significantly less than in the same period last year, when it was 3,330 mln USD.

In January-September 2022, the total trading volume in the primary and secondary government securities markets amounted to 9,782 bn USD, having increased by 4,050 bn USD compared to the same period last year, more than 2 times, due to an increase in trading volume both in the primary market by 2,138 bn USD, and in the secondary market – by 1,912 bn USD. Borrowings by all issuers increased.

Structure of trading in the secondary market, USD mln



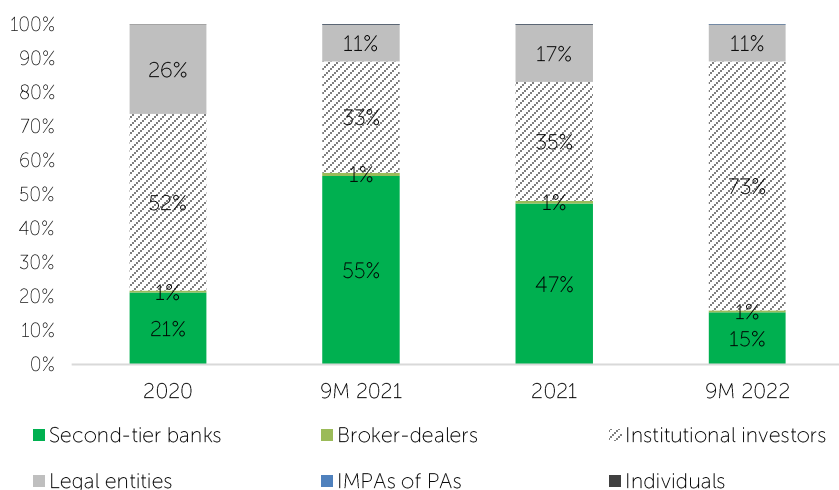
STRUCTURE OF INVESTORS

In the secondary market, the volume of trades during the year increased for all categories of government securities. In general, in 9 months of 2022, the volume of trading in the secondary market amounted to 3,368 bn USD, more than doubling compared to the same period in 2021. The volume of trades in Eurobonds of the MinFin grew almost 3 times.

Structure	Trading volume				Share in trading volume				Change in trading volume			
	2020	9M 2021	2021	9M 2022	2020	9M 2021	2021	9M 2022	abc 2021/2020	abc 9M 2022/ 9M 2021	% 2021/2020	% 9M 2022/ 9M2021
GS trading volume	11 121	5 732	8 382	9 782								
Primary market												
LEB bonds	2 297	231	671	326	26%	5%	11%	5%	-1 626	95	-71%	41%
MFRK bonds	6 628	4 046	5 674	6 089	74%	95%	89%	95%	-954	2 043	-14%	50%
Total	8 925	4 277	6 345	6 415					-2 580	2 138	-29%	50%
Secondary market												
MFRK bonds	1 066	850	1 257	2 026	49%	58%	62%	60%	191	1 176	18%	138%
MFRK Eurobonds	16	51	70	190	1%	3%	3%	6%	54	139	341%	274%
NBK notes	1 114	554	710	1 151	51%	38%	35%	34%	-404	598	-36%	108%
Total	2 196	1 455	2 037	3 368					-159	1 912	-7%	131%

Structure of investors

Structure of buyers in the primary GS market, %



In 9 months of 2022, there have been changes in the structure of investors in the primary market on the side of buyers of government securities. The share of institutional investors increased from 33% to 73%, while the share of second-tier banks (STB) decreased from 55% to 15%.

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

In the secondary market, the trading volume of individuals in 9 months of 2022 increased 10 times compared to the same period last year, and their share as of October 1 was 1%.

In the secondary market, on the buy side, the share of legal entities has increased (from 48% to 50%) 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 increased from 26% to 37%, while the shares of other categories of investors are declining.

MATURITY

The trading volume of non-residents in the secondary market on the buyer side for 9 months of 2022 increased by 2.3 times compared to 2021, while their share remained almost unchanged both on the buy and sell sides and amounted to 9% and 7% respectively.

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

	Purchase volume				Share in the purchase volume			
	2 020	9M 2021	2 021	9M 2022	2 020	9M 2021	2 021	9M 2022
Primary market								
Second-tier banks	1 903,1	2 371,9	3 013,9	975,9	21%	55%	48%	15%
Brokers an dealers	47,6	43,9	46,3	35,1	1%	1%	1%	1%
Institutional investors	4 624,9	1 397,4	2 212,1	4 701,1	52%	33%	35%	73%
Legal entities	2 349,3	458,0	1 066,1	700,5	26%	11%	17%	11%
IMPA on account of PA	0,0	1,4	1,9	2,3	0%	0%	0%	0%
Individuals	0,1	4,6	4,6	0,0	0%	0%	0%	0%
Total	8 925,0	4 277,3	6 344,9	6 414,9	100%	100%	100%	100%
Non-resident	89,6	95,0	128,0	0,0	1%	2%	2%	0%
Resident	8 835,4	4 182,3	6 216,9	6 414,9	99%	98%	98%	100%
Secondary market								
Second-tier banks	632,9	644,5	645,9	1 126,2	29%	44%	32%	33%
Brokers an dealers	57,3	146,6	183,6	87,9	3%	10%	9%	3%
Institutional investors	938,6	112,1	214,9	403,8	43%	8%	11%	12%
Legal entities	566,5	544,3	980,7	1 710,2	26%	37%	48%	51%
IMPA on account of PA	0,0	4,4	6,7	10,9	0%	0%	0%	0%
Individuals	0,2	3,2	5,2	28,5	0%	0%	0%	1%
Total	2 195,6	1 455,1	2 037,0	3 367,6	100%	100%	100%	100%
Non-resident	216,8	134,7	141,4	291,7	10%	9%	7%	9%
Resident	1 978,8	1 320,4	1 895,6	3 075,9	90%	91%	93%	91%

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

	Sales volume				Share in the sales volume			
	2 020	9M 2021	2 021	9M 2022	2 020	9M 2021	2 021	9M 2022
Secondary market								
Second-tier banks	908,0	800,8	1 057,1	1 604,6	41%	55%	52%	48%
Brokers an dealers	51,8	64,7	180,3	75,9	2%	4%	9%	2%
Institutional investors	1 075,3	245,0	264,5	391,1	49%	17%	13%	12%
Legal entities	159,4	338,3	524,5	1 283,6	7%	23%	26%	38%
Individuals	1,1	6,3	10,6	12,3	0%	0%	1%	0%
Total	2 195,6	1 455,1	2 037,0	3 367,6	100%	100%	100%	100%
Non-resident	204,3	92,2	166,7	261,6	9%	6%	8%	8%
Resident	1 991,3	1 362,9	1 870,3	3 106,0	91%	94%	92%	92%

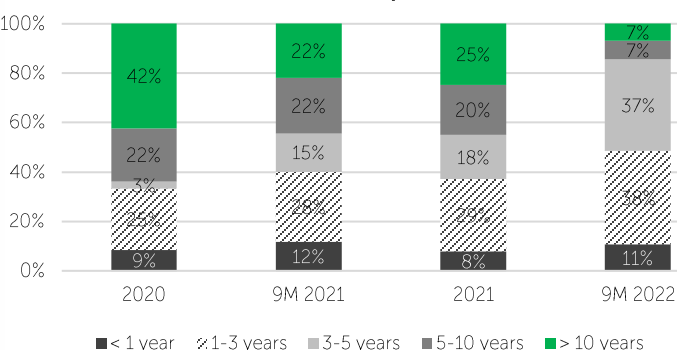
Maturity

In the primary market, in terms of maturity, the share of liabilities with maturity of 1 to 3 years increased from 8% to 11%, with maturity of 1 to 3 years – from 29% to 38%, with maturity of 3 to 5 years – from 18% to 37% from 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 7% and from 25% to 7%, respectively, compared with the beginning of the year.

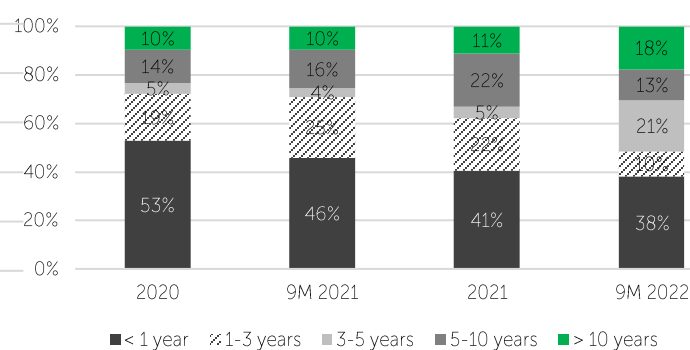
In the secondary market, in terms of maturity, there is an increase in the share of trading in securities with maturity of more than 3 to 5 years from 5% to 21% and with a term of more than 10 years from 11% to 18% in 9 months of 2022.

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

■ < 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	9M 2021	2021	9M 2022	2020	9M 2021	2021	9M 2022	abc 2021/2020	abc 9M 2022/ 9M 2021	% 2021/2020	% 9M 2022/ 9M 2021
Primary market												
< 1 year	779	504	504	688	9%	12%	8%	11%	-275	184	-35%	37%
1-3 years	2 217	1 213	1 851	2 428	25%	28%	29%	38%	-367	1 215	-17%	100%
3-5 years	236	662	1 132	2 341	3%	15%	18%	36%	896	1 679	380%	254%
5-10 years	1 902	958	1 295	486	21%	22%	20%	8%	-607	-472	-32%	-49%
> 10 years	3 790	940	1 563	472	42%	22%	25%	7%	-2 227	-469	-59%	-50%
Total	8 925	4 277	6 345	6 415	100%	100%	100%	100%	-2 580	2 138	-29%	50%
Secondary market												
< 1 year	1 168	664	827	1 256	53%	46%	41%	37%	-340	591	-29%	89%
1-3 years	415	367	442	358	19%	25%	22%	11%	27	-9	7%	-2%
3-5 years	99	52	97	707	5%	4%	5%	21%	-2	655	-2%	1265%
5-10 years	300	232	440	442	14%	16%	22%	13%	140	210	47%	91%
> 10 years	214	140	230	605	10%	10%	11%	18%	16	464	8%	331%
Total	2 196	1 455	2 037	3 368	100%	100%	100%	100%	-159	1912	-7%	131%

MinFin's MEKAM placements

According to the GS issue schedule for 2022, the MinFin of RK plans to issue notes for 6,526 million USD this year, which is by 2% more than the volume of placements last year. Thus, in 2021, 6,502 million USD were actually placed at par, while the planned volume of placement was only 5,245 mln USD.

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	TOTAL
2021 Plan	682	606	476	233	498	345	760	208	387	552	455	41	5245
2021 Fact	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	834	579	579	672	672	602	428	417	463	440	452	389	6 526
2022 Fact	391	474	431	594	506	1 259	1 311	1 108	461				6 956
Deviation	-443	-105	-148	-77	-165	657	883	691	-2				-430

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: in 9 months of 2022, the Ministry of Finance enlarged 14 issues and made 23 new placements for a total of 14,899 mln USD. At the same time, the amount of individual issues exceeded 900 mln USD.

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 01.10.22	Change over the period	Maturity date
	As of 01.01.22	As of 01.10.22			
KZ_07_2507	-	2 500	1 192	2 500	21.07.2025
KZ_05_2410	-	1 500	715	1 500	14.10.2024
KZ_06_4410	-	1 000	477	1 000	14.10.2044
MUM072_0013	208	922	440	714	19.05.2027
MUM156_0005	103	783	373	680	20.06.2027
MUM180_0002	24	633	302	610	24.06.2024
KZ_10_2811	-	509	243	509	09.11.2028
KZ_14_2609	-	485	231	485	30.09.2026
MUM144_0003	450	886	422	436	26.04.2023
MUM120_0017	-	822	392	822	06.03.2027
MOM036_0091	-	414	197	414	11.02.2025
MOM048_0052	-	381	182	381	21.01.2026
KZ_15_2309	-	349	166	349	20.09.2023
MUM180_0001	371	657	313	286	20.05.2024
MKM012_0151	-	251	120	251	12.08.2023
MUM120_0014	46	292	139	246	06.08.2024
MOM036_0092	-	217	103	217	24.06.2025
MTM036_0001	-	212	101	212	05.08.2025
MOM048_0054	-	201	96	201	16.09.2026
KZ_16_2709	-	174	83	174	15.09.2027
KZ_17_3009	1	174	83	173	11.09.2030
KZ_18_2606	2	174	83	172	22.06.2026
KZ_19_2806	3	174	83	171	19.06.2028
KZ_20_3106	4	174	83	170	16.06.2031
KZ_21_3106	5	174	83	169	16.06.2031
MKM012_0150	6	165	79	159	24.01.2023
MOM048_0053	7	162	77	155	24.06.2026
MUM180_0016	8	143	68	135	28.01.2037
MTM048_0001	9	116	55	107	09.09.2026
MUM144_0009	10	176	84	166	23.08.2033
MUM156_0007	11	288	137	277	17.02.2034
MUM132_0007	12	357	170	345	26.07.2032
MUM120_0019	13	165	79	152	17.03.2031
MUM180_0015	14	258	123	244	25.08.2036
MUM096_0011	15	153	73	138	27.10.2028
MUM096_0012	16	179	86	163	28.07.2029
MUM096_0013	17	34	16	17	04.02.2030

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