

KAZAKHSTAN STOCK EXCHANGE

PRESS RELEASE

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KASE presents July 2017 exchange market highlights

Kazakhstan Stock Exchange (KASE, or the Exchange) informs you of main results of the exchange market's performance in July 2017.

- *The total volume of exchange markets trading in July went down by 47.5 % following the acquisition of Qazkom by Halyk Bank*
- *KASE Index quit the sideways trend and increased by 8.5 % in July, refreshing its 6-year high, with KAZ Minerals PLC shares appreciating 42 % within the month*
- *Share trading volume increased 3.6 times on the previous month in July*
- *Government securities worth over KZT1 bn were sold on KASE*
- *The list of securities of investment funds was extended by two units allowing investors to hedge currency risks*
- *By the end of August the volume of open positions on the derivatives market reached KZT5.0 bn*

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The total volume of trading on KASE in July 2017 made KZT9,998.5 bn. The figure went down 47.5 %, or KZT9,061.6 bn, on the previous month. This development was caused by decreasing trading activities on the money market (KZT-10,010.0 bn, or 56.2 %), with which KASE associates repo and currency swap transactions. In its turn, this decrease was a consequence of the complex deal involving the purchase of Qazkom shares by Halyk Bank.

The volume of trading on the foreign currency market showed a less critical fall – by KZT116.5 bn, or 10.4 %, whereas the trading rose more than ten times on the securities market (KZT+1,060.9 bn, or 917.2 %).

SECURITIES MARKET

Shares

As of the end of the month 124 titles of shares of 106 issuers were quoted on the Exchange, including in the unlisted market – shares of six titles of six companies. Within the month shares of Altyn Bank underwent listing, and were included in KASE official list's main market's "standard" category. The sector of unlisted securities was extended by shares of KazTransGas and Rating agency of the Regional Financial Center of Almaty.

KASE Index quit the sideways trend and rose by 8.5 % to 1,800.4 points in July. Six of eight shares from the index universe appreciated.

The main driver of KASE Index were shares of KAZ Minerals PLC, rising by 42 % to KZT3,026.00 within the month. The shares grew against the background of the positive copper quotations trend, investors' optimism, as well as the release of the company's strong performance indicators. The copper production volume grew more than twice to 118 thousand tons on the back of increased outputs in fields Bozshakol and Aktogai. The CEO of KAZ Minerals Group said that the increased performance positively influenced the production costs, which is undoubtedly a positive factor.

Out of KASE Index universe, KazTransOil shares fell the most: by 1.2 % to KZT1,198. The value of these shares continues a sideways movement after the record date in May against the background of some improvement of the issuer's performance.

Change in KASE Index components in July

Issuer	Ticker	Price, KZT per share			Price change, KZT	
		as of 01.01.17	as of 01.07.17	as of 01.08.17	in July	in 2017
KAZ Minerals PLC	GB_KZMS	1,511.00	2,130.00	3,026.00	+42.1	+100.3
KazMunaiGas Exploration Production	RDGZ	15,270.00	18,300.00	19,400.00	+6.0	+27.0
Halyk Savings Bank of Kazakhstan	HSBK	50.34	73.50	77.40	+5.3	+53.8
Bank CenterCredit	CCBN	168.41	156.00	162.30	+4.0	-3.6
Kcell	KCEL	1,102.01	1,290.00	1,330.00	+3.1	+20.7
Kazakhtelecom	KZTK	14,522.97	16,200.00	16,351.10	+0.9	+12.6
KEGOC	KEGC	1,192.15	1,404.99	1,398.84	-0.4	+17.3
KazTransOil	KZTO	1,231.00	1,214.00	1,200.00	-1.2	-2.5

KASE share market's capitalization grew by 9.2 %, or KZT1.3 trln, to KZT15.9 trln in July. All economy sectors showed a growth, but the industrial sector rose the most (KZT+685.2 bn, or 96.9 %), following the transaction in Altyntau Kokshetau shares, after which the shares were included in the calculation of KASE share market's capitalization. An increase by KZT404.1 bn, or 31.5 %, was seen in sector "Materials" due to appreciating KAZ Minerals PLC shares.

The volume of shares trading increased 3.6 times, or KZT87.9 bn, to KZT121.3 bn in July on the previous month. The entire volume was traded in the secondary market, whereas the average daily volume reached KZT6,067.2 mln, having increased almost four times on the previous month. That growth was driven exclusively by the Caspi Neft offering on July 26 on KASE. The volume of the transaction aimed at changing shareholders reached KZT110.8 bn, which is 91.4 % of the entire shares trading in July. The transaction involved all outstanding shares of the company.

From July 1 to 21 orders were collected on KASE for subscription to shares of FERRO-ALLOY RESOURCES LIMITED (main activities include production, processing and selling of vanadium-containing ores and auxiliary products). The subscription failed due to "insufficient volume for ensuring liquidity on the secondary market".

In terms of main categories of investors, the most activity was seen on the part of individuals, who accounted for 53.7 % of the turnover. The share of brokerage firms made 28.3 %, accounts of second-tier banks (STB) accounted for 3.3 %, accounts of institutional investors – 2.2 %, the share of other legal entities reached 12.4 %. Non-residents accounted for 2.1 % in the gross turnover on KASE share market. The number of individual accounts involved in shares transactions on KASE went down by 22.3 % in July on the previous month.

From July 17 shares of six more titles were switched to the T+2 settlement scheme: ordinary shares of Aktobe Metalware Plant (AKZM); preferred shares of Kazkommertsbank (KKBp); preferred shares of Kazakhtelecom (KZTKp); ordinary shares of OJSC Gazprom (RU_GAZP); ordinary shares of OJSC Rostelecom (RU_RTKM); ordinary shares of OJSC "Aeroflot – Russian airlines" (RU_AFLT). Hence, the total number of shares cleared by KASE according to the T+2 scheme, reached 19.

Corporate bonds

The total face value of the corporate debt circulating on KASE, increased by KZT981.9 bn, to KZT8.5 trln in July, mostly due to the appreciating dollar and respective re-valuation of international bonds quoted on KASE.

As of the end of July there were bonds of 258 titles of 65 issuers quoted on KASE. There were no new bonds in the month under review, and five issues of bonds were delisted due to their circulation expiry.

Corporate bonds yield index KASE_BY went down by 135 basis points to 9.27 % APR within the month, thereby having confirmed the broad decreasing channel, inside which the indicator lives since 2016.

The volume of trading in corporate bonds equaled to KZT27.5 bn in the month under review decreasing by 43.2 %, or KZT20.9 bn, on the previous month. The average daily volume of trading didn't exceed KZT1,376.0 mln, decreasing by 37.5 %.

The decrease in bonds trading was a result of almost total absence of new offerings. If the primary market's volume reached KZT44.5 bn in June, in July it didn't exceed one billion. The indicated volume is a result of the subscription to bonds of the second issue of Freedom Finance, which was conducted in KASE trading system from July 1 to 17. The total demand reached KZT1.1 bn exceeding the supply by 7.8 %. 37 deals were concluded during the subscription. Legal entities purchased securities worth KZT842.8 mln (86.3 % of the offering volume), individuals – KZT134.0 mln (13.7 %).

The volume of trading on the secondary market of corporate bonds made KZT26.5 bn, which is almost seven times more (KZT22.6 bn more) than last month.

Broken down by main categories of investors on the corporate bond market, the share of brokerage firms made 6.5 %, that of STB – 13.9 %, that of other institutional investors – 26.0 %, the share of other legal entities – 51.9 %. The share of individuals didn't exceed 1.6 %, non-residents accounted for 0.6 %.

Government securities (GS)

The total volume of GS trading on KASE reached KZT1,026.7 bn in July, which is 36 times more than in the previous month. The growth was fuelled by the primary market, with offerings thereon rising 52 times to KZT1,017.7 bn thanks to the Ministry of Finance. STB bought 98.7 % of securities offered, other institutional investors – 1.0 %, 0.4 % were bought by individuals.

The volume of the GS secondary market rose by 0.4 %, reaching KZT9.0 bn. The entire trading turnover on the secondary market fell on the National Bank's notes. In terms of the structure of investors on the secondary market, STBs accounted for 24.2 %, other institutional investors – for 43.4 %, brokerage firms made 15.7 % of the turnover, other legal entities – 16.8 %. Individuals and non-residents were not active in that sector of the exchange market in the month under review.

Securities of investment funds

Two new instruments were included in this sector in July:

- units KZPFN0012216 (KZPF00000058, BCCI_cc) of IUIT "CenterCredit – Valyutniy" managed by BCC Invest;
- units KZPFN0043054 (KZPF00000066, ASYL_or) of IUIT "ORKEN" managed by ASYL-INVEST.

As result, the total number of titles of investment funds securities traded on KASE, reached six.

The total trading volume on this type of instruments made KZT14.4 mln in the month under review, which is 36 %, or KZT3.8 mln, more than in the previous month.

In July the most activity was seen on the part of legal entities whose share made 72.2 %. Shares of individuals and brokers were equal – 13.9 % each.

Securities of international financial institutions

As of July 24 two issues of bonds of the European Bank for Reconstruction and Development were included in the Exchange's lists:

- XS1522918256 (KZT1.0 bn, KZT34.0 bn; 21.11.16 – 21.11.21; quarterly coupon indexed at Kazakhstan's inflation; actual/360);
- XS1535796368 (KZT1.0 bn, KZT34.0 bn; 15.12.16 – 15.12.21; quarterly coupon indexed at Kazakhstan's inflation; actual/360).

Overall, there are bonds of eight titles from two issuers in this sector of the official list. No deals in these instruments were registered in July.

Individuals' accounts on the securities market

As of the end of July there were 108,714 personal accounts in the Central Securities Depository opened for individuals, which is by 269 accounts more than at the end of the previous month, and by 3,854 accounts more than at the beginning of 2017.

FOREIGN CURRENCY MARKET

The volume of trading on the foreign currencies spot market was equivalent to KZT1,005.0 bn, which is by 10.4 %, or KZT116.5 bn, less than in the previous month.

The table below indicates the main characteristics of currency pairs traded on KASE (the change of the indicator on the previous month is given in the brackets, the change of the rate reflects the nominal change of the weighted average market rate of the foreign currency against the tenge).

Pair	Volume, mln units of currency	Share in trading volume, %	Number of deals	Number of banks	Min. and max. exch. rates, per currency unit	Exchange rate change
USD/KZT	3,070.4 (-11.8 %)	99.42 (-9 p.p.)	6,289 (-599)	33 (+1)	320.00–328.52	328.07 (+1.8 %)
RUB/KZT	938.8 (+30.3 %)	0.51 (+16 p.p.)	171 (+17)	12 (-1)	5.4055–5.5241	5.4914 (+0.9 %)
EUR/KZT	1.6 (-49.2 %)	0.06 (-4 p.p.)	8 (-11)	4 (-1)	365.80–385.10	385.10 (+4.4 %)
CNY/KZT	2.9 (-69.0 %)	0.01 (-2 p.p.)	22 (-50)	6 (0)	47.4600–48.6025	48.6025 (+2.5 %)

As you can see in the table, the tenge weakened in July against all foreign currencies traded on KASE. The most nominal fall of the exchange rate was against the euro and yuan. Main factors influencing the exchange rate in the month under review were the euro strengthening against the dollar, weakening of the ruble caused by anti-Russia sanctions, and the growing oil prices on the world markets that soothed the sanctions.

In July, as in the month before, 33 members of the Exchange were entitled to trade in foreign currencies on KASE.

MONEY MARKET (REPO AND CURRENCY SWAP)

Price indicators of the exchange money market in July saw almost no changes, which was caused mainly by the stable of the base rate. KazPrime-3M (KZT) remained at 11.5 % APR. The value of MM_Index decreased by 13.6 basis points to 9.50 % APR. TONIA decreased by 14 basis points, at the end of the month the value of that indicator made 9.50 % APR, TWINA decreased by 18 basis points to 9.35 % APR. the profitability of the dollar swap increased by 56 basis points to 9.56 % APR.

The total volume of trading on the money market didn't exceed KZT7,812.9 bn, decreasing by 56.2 %, or KZT10,010.0 bn, on the previous month. The currency swap segment showed the most fall – by 84.2 %, or KZT9,809.2 bn. Said changes were mainly the consequence of the deal involving purchase of Qazkom shares by Halyk Savings Bank of Kazakhstan, which led to several banks losing interest in currency swap transactions and, as a result, to temporary mobilization of tenge to the repo transactions market.

Repo transactions

The volume of trading in this segment in July made KZT5,975.2 bn, showing a decrease relatively to June by 3.3 %, or KZT200.8 bn. 96.5 % of that volume fell on auto repo in GS, 3.1 % – on auto repo in CS, the reminder – on nego repo transactions in CS.

The average daily volume of repo transactions made KZT298.8 bn, which is 6.4 %, or KZT18.0 bn, higher than last month.

Repo transactions on KASE were executed by 49 members of the Exchange in July.

Currency swap transactions

In July transactions of this type were represented on KASE by one-day and two-day swaps in the US dollar against the tenge, whereas the first ones accounted for 16.8 % of the turnover, the second ones – for 83.2 %. Respective indicators of June – 12.8 and 87.2 %, i.e. the market is gradually returning to the dominance of the one-day swap.

The volume of trading on currency swap transactions reached KZT1,837.8 bn in July, and as mentioned above, lost 84.2 % of the trading volume.

The average daily volume of transactions made KZT91.9 bn, which is 82.6 %, or KZT437.5 bn, less than last month.

20 members of Exchange conducted currency swap transactions on KASE in July.

Futures

The trading volume in this sector of the exchange market made KZT5.0 bn in July; no futures contracts were closed on KASE last month. The entire volume of trading fell on the three-month futures on the USD/KZRT, whose execution is scheduled for September 2017. Prices of transactions varied from KZT328.45 to KZT332.11 per US dollar. The number of positions opened on KASE by the beginning of August made 15,000 contracts worth KZT5.0 bn.

For reference

Kazakhstan Stock Exchange (KASE) is a leading stock exchange in the Central Asian region and the only exchange in Kazakhstan, carrying out its activities in the financial market. It is a universal trading platform for repo market instruments, foreign currencies, government and corporate securities, bonds of international financial institutions as well as derivatives.

KASE is a member of the World Federation of Exchanges (WFE), the Federation of Euro-Asian Stock Exchanges (FEAS) and other international and local professional associations. In 2015, KASE joined the UN Sustainable Stock Exchanges initiative. KASE occupies the second place among the CIS exchanges in terms of securities trading volume, as well as in the top 5 in terms of capitalization among the FEAS exchanges.

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