

Analysis of the government securities market

9M 2021



Қазақстан қор биржасы
Казахстанская фондовая биржа
Kazakhstan Stock Exchange

GOVERNMENT DEBT TRADED ON KASE

Government debt traded on KASE

As of October 01, 2021, the amount of government debt traded on KASE amounted to 41.4 billion USD, having increased by 1,6 million USD or 4% since the beginning of the year. This growth is mainly due to the consolidation of the existing 26 issues and the inclusion of new 15 issues (4 issues in 2020 and 11 issues in 2021) of bonds of the Ministry of Finance of the Republic of Kazakhstan (hereinafter - the Ministry of Finance, MFC).

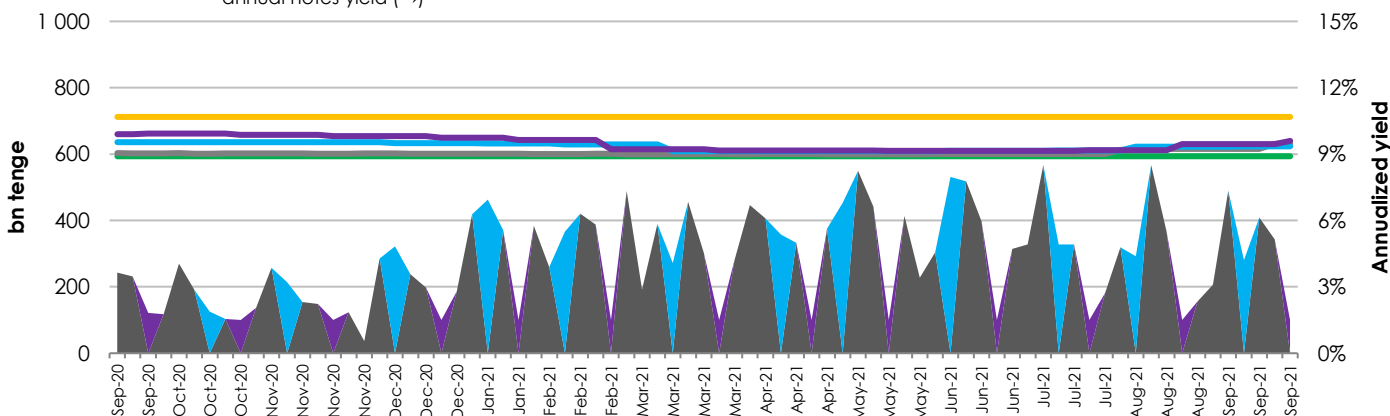
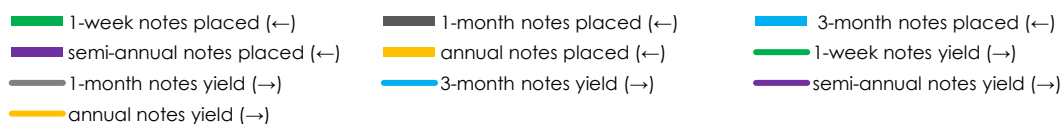
As of October 01, 2021, the structure of government debt traded on KASE by maturity dates has not changed much since the beginning of the year: 24% falls on GS with a term of less than one year, 13% - GS with a term of one to three years, 17% - GS with a term of three to five years, 21% - GS with a term of five to ten years, 24% - GS with a term of more than 10 years.

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

Structure	Amount of government debt				Share in the government debt traded on KASE				Change in the amount of government debt			
	01.01.2020	01.10.2020	01.01.2021	01.10.2021	01.01.2020	01.10.2020	01.01.2021	01.10.2021	abs 01.01.21/ 01.01.20	abs 01.10.21/ 01.01.20	01.01.21/ 01.01.20	01.10.21/ 01.01.21
Amount of government debt, traded on KASE	34,1	37,2	39,8	41,4	-	-	-	-	5,7	4,2	17%	11%
By maturity												
< 1 year	10,5	10,1	9,7	10,1	31%	27%	24%	24%	-0,8	-0,1	-8%	0%
1-3 years	3,7	5,4	6,1	5,2	11%	14%	15%	13%	2,4	-0,2	65%	-3%
3-5 years	4,2	5,0	5,4	7,2	12%	14%	14%	17%	1,2	2,1	28%	42%
5-10 years	7,4	7,5	8,0	8,8	22%	20%	20%	21%	0,6	1,3	8%	18%
> 10 years	8,2	9,2	10,6	10,1	24%	25%	27%	24%	2,3	0,9	28%	10%
By type of securities												
Notes of NBRK	9,4	7,7	7,3	6,6	28%	21%	18%	16%	-2,2	-1,2	-23%	-15%
Bonds of MFRK	18,5	21,4	23,2	25,0	54%	58%	58%	61%	4,7	3,6	26%	17%
Eurobonds of MFRK	5,6	6,2	6,8	7,3	16%	17%	17%	18%	1,2	1,1	22%	18%
Bonds of LEB	0,6	1,9	2,5	2,5	2%	5%	6%	6%	1,9	0,6	347%	33%

According to the notes of the National Bank of the Republic of Kazakhstan (hereinafter referred to as the NBK notes), since the beginning of 2019, there has been a transition to the issuance of longer-term instruments and a significant expansion of spreads between the yields of short-term and long-term notes. The largest increase in yields is observed in annual notes:

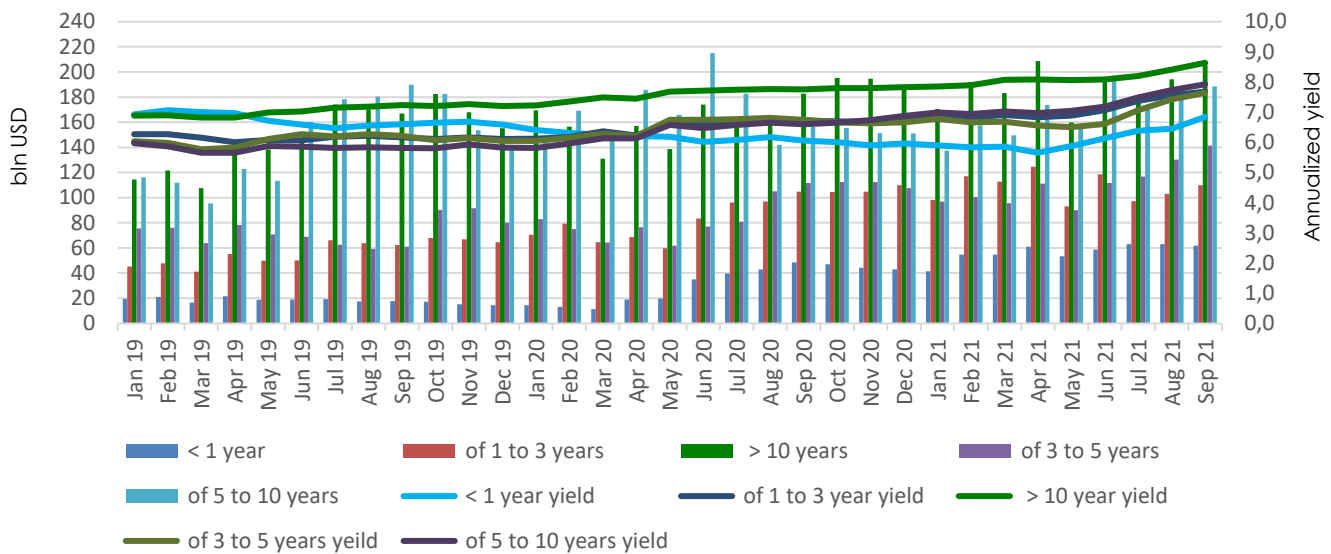
Main Features of National Bank Notes Placements



VOLUME OF DEALS

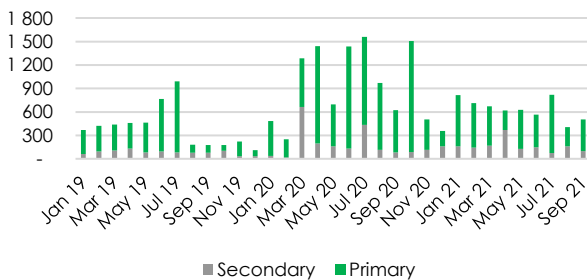
For the bonds of the Ministry of Finance of the Republic of Kazakhstan, there is a trend towards an increase in the volume of long-term bonds with a maturity of 5 to 10 years and more than 10 years. There is also an expansion of spreads between short-term and long-term bonds, while the yield on bonds over 10 years is growing, while the yield on bonds less than one year, on the contrary, is decreasing.

The main parameters of the placement of the MFC bonds



Volume of transactions

Volume of transactions on GS market, USD mln



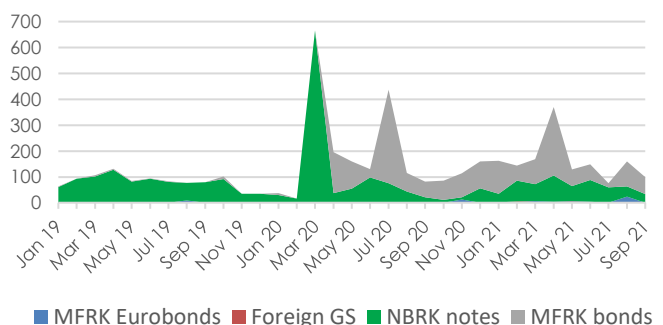
For the first nine months of 2021, the total trading volume in the primary and secondary markets of GS amounted to USD 5.7 billion, a decrease of USD 3.0 billion or 34% compared to the same period last year, while a decrease in trading volume was observed in both the primary and secondary markets.

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

In 2020, the republican budget deficit amounted to USD 7.2 million*, for the purpose of financing which the Ministry of Finance attracted USD 7.2 million* in the primary market. The deficit of local budgets in 2020 amounted to USD 1.6 million*, and the placement of local executive bodies – USD 2.3 million*.

For 2021, the deficit of the republican budget is projected at the level of USD 5.2 mln**, local budgets – USD 1.0 million**. Following the results of nine months, the Ministry of Finance placed USD 4.2 billion**, local executive bodies – USD 230.5 million**.

Structure of trades on secondary market, usd mln



*as of USD/KZT for 01.01.21

**as of USD/KZT for 01.10.21

VOLUME OF DEALS

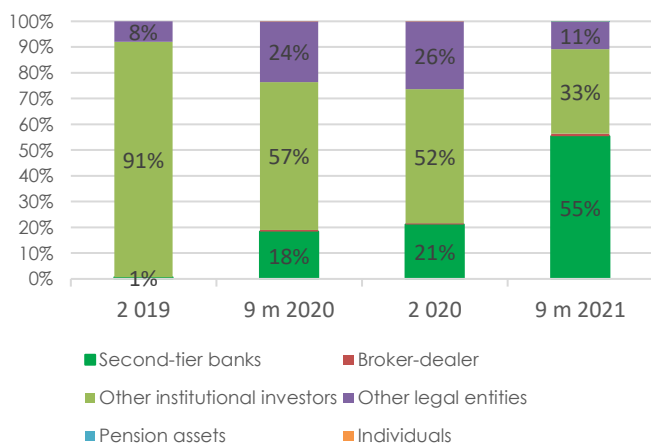
In the secondary market, the trend continues towards a decrease in the volume of trading in NBRK notes (USD 'minus' 484.4 mln by 9M 2020) and an increase in the volume of trading in MFRK bonds (USD 'plus' 55.5 mln). In general, in the first nine months of 2021, the volume of trading on the secondary market amounted to USD 1.5 mln, which is 20,7 % lower than in the first nine months of 2020.

Volume of deals traded on KASE, mln USD

Structure	Trading volume				Share in the trading volume				Change in the trading volume			
	2019	9m 2020	2020	9m 2021	2019	9m 2020	2020	9m 2021	abs 2020/2019	abs 9m2021/9m2020	2020/2019	9m2021/9m2020
GS trading volume	4 776	8 756	11 124	5 736					6 348	-3 020	133%	-34%
Primary market												
MFRK bonds	3 504	5 304	6 628	4 046	92%	77%	74%	95%	3 124	-1 258	89%	-24%
Bonds of local authorities	285	1 614	2 297	231	8%	23%	26%	5%	2 012	-1 382	706%	-86%
Total	3 789	6 918	8 925	4 277					5 136	-2 641	136%	-38%
Secondary market												
MFRK bonds	29	795	1 066	850	3%	43%	48%	58%	1 037	55	3599%	7%
MFRK Eurobonds	19	2	16	51	2%	0%	1%	3%	-3	48	-17%	2130%
NBRK notes	938	1 038	1 114	554	95%	56%	51%	38%	176	-484	19%	-47%
Foreign GS	2	3	3	4	0%	0%	0%	0%	2	1	89%	25%
Total	987	1 839	2 199	1 459					1 212	-380	123%	-21%

Investor Structure

Investor structure on primary market, %



As the NBRK moves from placing short-term notes to medium- and long-term placements, second-tier banks are buying an increasing share of the total supply of MEKAM in the primary market. So, since 2019, the share of institutional investors on the buying side has decreased from 91% to 33%, while the share of second-tier banks (STBs) has increased from 1% to 55%. In parallel with the growth of 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 state securities in the primary market, for 9 months in 2021 their share was 3%.

In the secondary market on the purchase side, the share of second-tier banks also increased (from 7% in 2019 to 44% in 9 months in 2021) and the share of other institutional investors decreased (from 48% in 2019 to 8% in 9 months in 2021).

On the selling side, on the contrary, second-tier banks have become less active (from 77% in 2019 to 55% in 9 months in 2021), while the share of legal entities has increased (from 3% in 2019 to 23% in 9 months in 2021). The share of non-residents in the secondary market on the buyers' side for 9 months of 2021 was 9%. On the sellers' side, the share of non-residents was 6%. It should be noted that in monetary terms, compared to the same period last year, the volume of purchases of state securities by non-residents increased from USD 107 to USD 135 mln tenge, and sales decreased from USD 111 to USD 93 mln.

INVESTOR STRUCTURE

Volume of trades in the GS buy market by type of participants, mln USD

	Purchase volume				Share in the purchase volume			
	2019	9m 2020	2020	9m 2021	2019	9m 2020	2020	9m 2021
Primary market								
Second-tier banks	23	1 303	1 903	2 372	1%	19%	21%	55%
Broker-dealer	0	43	48	44	0%	1%	1%	1%
Other institutional investors	3 463	3 938	4 625	1 397	91%	57%	52%	33%
Other legal entities	303	1 635	2 349	458	8%	24%	26%	11%
Individual	0	0	0	5	0%	0%	0%	0%
Total	3 789	6 918	8 925	4 277	100%	100%	100%	100%
Non-resident	0	33	90	95	0%	1%	2%	3%
Resident	3 789	6 885	8 835	4 182	100%	182%	233%	110%
Secondary market								
Second-tier banks	66	498	633	645	7%	27%	29%	44%
Broker-dealer	53	44	60	148	5%	2%	3%	10%
Other institutional investors	475	923	939	112	48%	50%	43%	8%
Other legal entities	388	371	565	546	39%	20%	26%	37%
Individual	4	2	2	4	0%	0%	0%	0%
Total	987	1 839	2 199	1 459	100%	100%	100%	100%
Nor-resident	2	107	218	135	0%	6%	10%	9%
Resident	985	1 732	1 981	1 324	100%	94%	90%	91%

Volume of trades in the GS sell market by type of participants, mln USD

	Sales volume				Share in the sales volume			
	2019	9m 2020	2020	9m 2021	2019	6m 2020	2020	6m 2021
Primary market								
Institutional investor	14	73	73	0	100%	93%	87%	95%
Legal entities	3 774	6 845	8 852	4 277	0%	7%	13%	5%
Total	3 789	6 918	8 925	4 277	100%	100%	100%	100%
Nor-resident	0	0	0	0	0%	0%	0%	0%
Resident	3 789	6 918	8 925	4 277	100%	100%	100%	100%
Secondary market								
Second-tier banks	756	826	908	801	77%	45%	41%	55%
Broker-dealer	18	26	56	67	2%	1%	2%	5%
Institutional investors	183	933	1 077	245	18%	51%	49%	17%
Other legal entities	29	53	157	339	3%	3%	7%	23%
Individuals	1	1	1	7	0%	0%	0%	0%
Total	987	1 839	2 199	1 459	100%	100%	100%	100%
Nor-resident	0	111	204	93	0%	6%	9%	6%
Resident	987	1 727	1 995	1 366	100%	94%	91%	94%

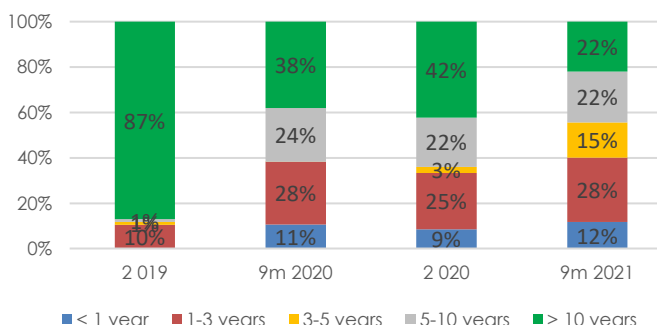
Maturity

In the primary market, broken down by maturity, the share of liabilities with a maturity of more than ten years decreased from 42% in 2020 to 22% in 9 months of 2021. The largest growth was noted in the medium-term horizon from three to 15 years, their share in 9 months of 2021 increased from 3% to 15%.

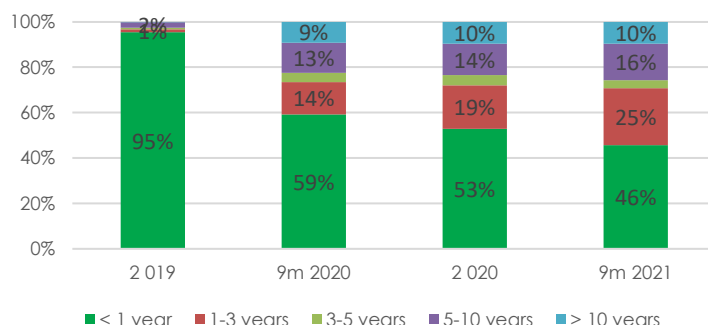
In the secondary market, broken down by maturity, there is a decrease in the share of trading in securities with a maturity of up to one year from 53% to 46% in 9 months of 2021 (while this segment, on the contrary, is growing in the primary market). The largest growth in trading volume is observed with securities over the medium-term horizon from one to three years (the share of trading with these securities increased to 25%) and from five to ten years (the share of trading with these securities increased to 16%).

MATURITY

GS Maturity on primary market, %



GS Maturity on secondary market, %



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

Structure	Trading volume				Share in the trading volume				Change in the trading volume			
	2019	9m 2020	2020	9m 2021	2019	9m 2020	2020	9m 2021	abs 2020/2019	abs 9m 2021 / 9m 2020	% 2020/2019	% 9m 2021 / 9m 2020
Primary market												
< 1 year	-	746	779	504	-	11%	9%	12%	779	-242	-	-32%
1-3 years	394	1 911	2 217	1 213	10%	28%	25%	28%	1 823	-698	462%	-37%
3-5 years	49	8	236	662	1%	<1%	3%	15%	187	654	382%	8416%
5-10 years	49	1 606	1 902	958	1%	23%	21%	22%	1 853	-648	3821%	-40%
> 10 years	3 297	2 647	3 790	940	87%	38%	42%	22%	493	-1 707	15%	-64%
Total	3 789	6 918	8 925	4 277	100%	100%	100%	100%	5 136	-2 641	136%	-38%
Secondary market												
< 1 year	942	1 091	1 168	664	95%	59%	53%	46%	225	-426	24%	-39%
1-3 years	13	258	415	367	1%	14%	19%	25%	402	108	3077%	42%
3-5 years	6	75	100	52	1%	4%	5%	4%	94	-23	1558%	-31%
5-10 years	24	244	303	235	2%	13%	14%	16%	279	-9	1188%	-4%
> 10 years	2	170	214	140	<1%	9%	10%	10%	212	-30	9197%	-18%
Total	987	1839	2 199	1 459	100%	100%	100%	100%	1 212	-380	123%	-21%

Placement of MEKAM of the Ministry of Finance

According to the plan of attracting the Ministry of Finance for 2021 plans to attract USD 5.2 billion*, the actual placement for 9 months amounted to USD 4.1 billion* (at par).

In the structure of GS issues of the Ministry of Finance, there is a trend towards consolidation: in 2020-2021, the Ministry of Finance enlarged 26 issues and issued 15 new issues (4 issues in 2020 and 11 issues in 2021) for a total amount of USD 10.3 billion. At the same time, the amount of individual issues exceeded USD 1 billion*.

*as of USD/KZT for 01.10.21

ISSUES OF MINISTRY
OF FINANCE OF THE RK

Consolidated issues of the Ministry of Finance of the RK, USD mln

Issue	Issues sum, mln USD		Equivalent in bln KZT as of 01.10.21	change over the period, mln USD	Maturity date
	01.01.20	01.10.21			
MUM144_0001	28.4	842.5	358.6	814.1	05.05.22
MUM108_0013	–	734.7	312.7	734.7	31.03.29
MUM180_0012	1,006.7	1,504.2	640.3	497.5	04.02.30
MUM084_0017	125.9	642.5	273.5	516.6	30.01.24
MUM132_0005	63.4	553.4	235.6	490.0	15.05.23
MUM240_0004	969.8	1,341.3	571.0	371.6	29.01.35
MUM300_0003	245.2	687.5	292.7	442.4	26.02.40
MUM120_0016	0.4	465.1	198.0	464.7	27.05.25
MUM180_0014	430.8	846.8	360.4	415.9	23.04.33
MUM216_0001	219.5	605.4	257.7	385.9	30.07.36
MUM120_0017	19.7	425.4	181.1	405.8	06.03.27
MKM012_0149	–	367.8	156.6	367.8	20.01.22
MUM144_0003	144.6	456.0	194.1	311.4	26.04.23
MUM180_0001	44.5	356.2	151.6	311.7	20.05.24
MUM180_0013	19.7	288.0	122.6	268.3	04.04.33
MUM216_0002	490.8	697.9	297.1	207.1	11.02.37
MUM300_0002	432.9	646.0	275.0	213.2	25.07.39
MUM156_0002	55.1	305.1	129.9	249.9	20.07.23
MUM156_0006	682.9	837.5	356.5	154.7	10.05.31
MUM156_0007	–	208.1	88.6	208.1	17.02.34
MUM168_0005	–	194.0	82.6	194.0	10.03.35
MUM108_0011	190.8	340.9	145.1	150.1	29.08.23
MUM240_0002	968.7	1,024.2	436.0	55.5	12.05.34
MUM168_0003	778.0	849.0	361.4	70.9	16.04.32
MUM072_0013	–	139.2	59.3	139.2	19.05.27
MUM084_0018	–	136.5	58.1	136.5	12.04.28
MOM060_0052	–	131.0	55.8	131.0	04.08.26
MUM108_0012	655.9	705.8	300.4	50.0	03.07.26
MUM132_0003	121.4	226.7	96.5	105.3	25.03.22
MUM240_0001	99.0	206.2	87.8	107.2	24.04.32
MUM096_0011	–	105.5	44.9	105.5	27.10.28
MUM132_0007	–	98.7	42.0	98.7	26.07.32
MOM060_0051	700.5	711.5	302.8	11.0	03.07.22
MUM120_0011	138.7	197.6	84.1	58.9	19.03.22
MUM096_0012	–	68.1	29.0	68.1	28.07.29
MUM120_0018	655.9	649.2	276.4	-6.6	03.07.27
MUM180_0015	–	61.0	26.0	61.0	25.08.36
MUM144_0009	–	47.2	20.1	47.2	23.08.33
MUM120_0019	–	42.5	18.1	42.5	17.03.31
MUM180_0011	494.8	475.8	202.5	-19.0	13.08.29
MKM012_0148	–	–	–	0.0	15.05.21

In order to increase liquidity in the government securities market in 2020, the Exchange is working to attract market makers to this market, negotiating with the most active participants and introducing new market maker programs. Since August 03, 2020, three market makers have participated in the government securities market: Freedom Finance JSC, Halyk Savings Bank of Kazakhstan JSC and Centras Securities JSC.

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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