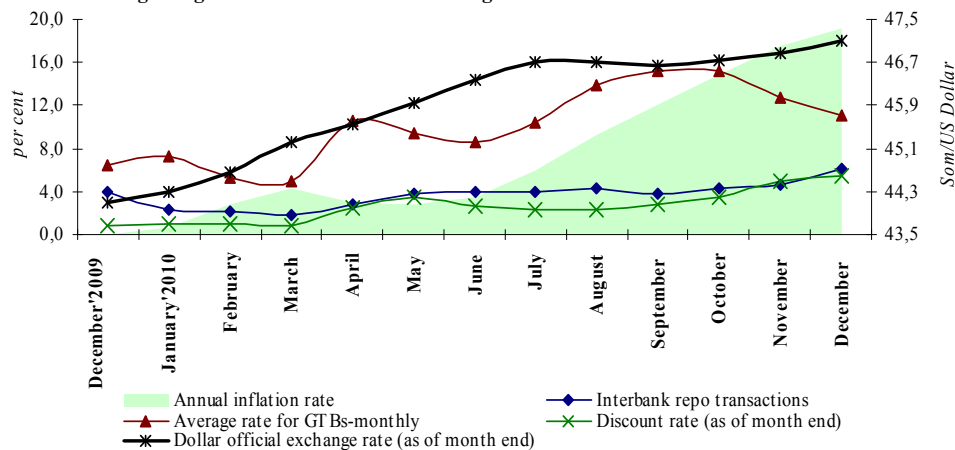
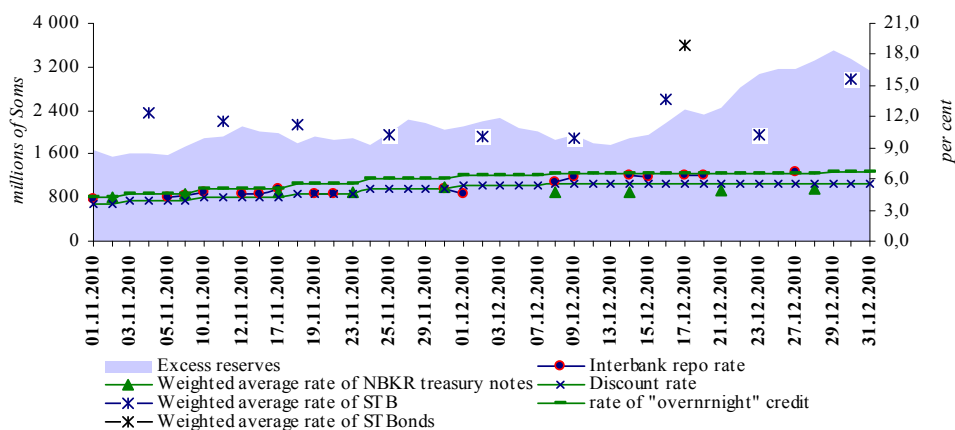


## Major trends of financial market (December 2010)

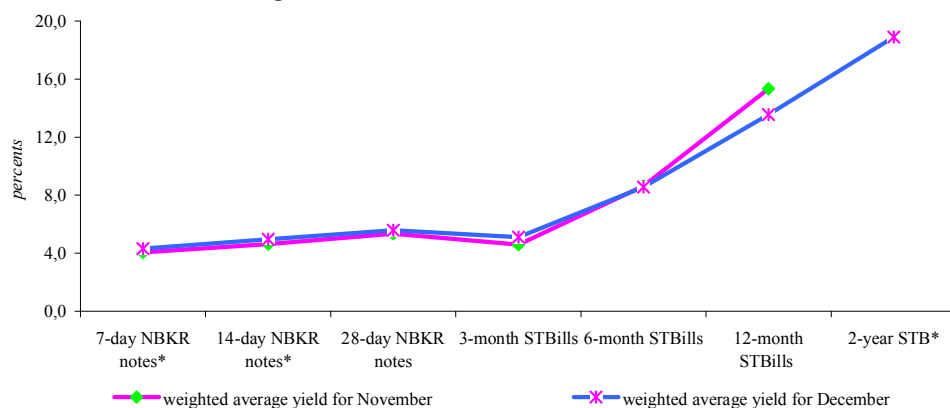
**Chart 1. Average weighted Interest Rates and Exchange Rate**



**Chart 2. Excess reserves and interest rates in the financial market**



**Chart 3. Yield curve of the government securities**



\*- auctions were not carried out

In December, excess reserves in the banking system were growing, but fluctuation of liquidity in individual banks provided increase in demand for inter-bank borrowed resources. There was growth of demand in the shortest segment of the securities market – market of NBKR notes. On the primary STBills market, the demand for STBills decreased due to change of the investment policy of one of the largest investors in favor of shorter instruments. Demand for STBonds remained low, thus only one auction was arranged out of three announced auctions. In the domestic foreign exchange market there was continuing tendency for KGS weakening.

The total volume of concluded bargains on the inter-bank market of credit resources constituted 474.3 million soms, having increased by 10.3 percent. All bargains were concluded

in the segment of REPO-transactions at the weighted average rate of 6.2 percent (+1.5 percentage points).

The National Bank of the Kyrgyz Republic issued the overnight credit for the sum of 127.0 million soms at the rate of 6.2 percent.

Against increase in liquidity in banks and acceleration of inflations rates, the National Bank of the Kyrgyz Republic constituted to increase supply of it's notes. Demand for these securities also grew both on the part of banks and institutional investors. As a result, profitability of securities remained at the level of November 2010 and constituted 4.9 percent.

In the primary STBills market, the Ministry of Finance reduced the volumes of bills supply, having decreased the proposed volumes of 12-month STBills. Whereas demand on the part of investors decreased to some extent. However, profitability continued decreasing and constituted 11.1 percent as per results of the month (-1.7 percentage points).

On the domestic foreign exchange market, the demand for USD remained high, as a result the foreign currency exchange rate continued growing. At that, there was certain acceleration of growth rates in comparison with November. In order to prevent acute fluctuations of the exchange rate, the National Bank of the Kyrgyz Republic performed transactions on USD sale in the inter-bank foreign exchange markets. By the end of December, the USD discount rate constituted 47.0992 KGS/USD, having increased by 0.5 percent.

Table 1. Movement in Financial Flows and Average Monthly Rates of the Money Market

Period	Interbank Foreign Exchange Market		GTBills Auctions**		Auctions of NBKR Notes		Interbank Repo transactions		Interbank loans in domestic currency		Interbank loans in foreign currency*	
	Volume (som thousand)	Discount rate as of month end (som/dollar)	Volume (som mln)	Rate (%)	Volume (som mln)	Rate (%)	Volume (som mln)	Rate (%)	Volume (som mln)	Rate (%)	Volume (som mln)	Rate (%)
December 2009	2035,9	44,0917	405,9	6,4	2076,1	0,9	642,5	3,1	87,0	2,9	-	-
January 2010	1439,0	44,2800	265,0	7,3	1460,5	0,9	507,9	2,4	-	-	-	-
February	1971,3	44,6522	350,0	5,3	1674,0	0,7	362,0	2,2	-	-	1,5	1,0
March	2305,4	45,2203	367,7	4,9	1806,4	0,6	420,4	1,7	-	-	-	-
April	2575,2	45,5518	300,5	10,5	199,0	2,6	322,7	2,9	41,5	4,3	83,6	3,6
May	2864,3	45,9397	380,4	9,4	235,0	3,4	612,8	3,8	35,0	5,5	22,8	4,0
June	2784,2	46,3896	280,3	8,6	250,0	2,8	129,4	4,0	-	-	-	-
July	3267,8	46,7075	227,2	10,4	300,0	2,4	218,7	4,0	20,0	4,3	-	-
August	2355,1	46,7115	199,6	14,0	350,0	2,3	277,2	4,2	41,4	3,4	-	-
September	2845,0	46,6377	300,4	15,2	407,1	2,8	477,3	3,9	91,1	4,0	-	-
October	2337,5	46,7409	271,5	15,2	348,5	3,6	439,5	4,3	147,8	5,5	-	-
November	2845,0	46,8600	298,3	12,8	780,4	4,9	355,7	4,7	74,3	4,8	23,4	3,0
December	2231,2	47,0992	286,6	11,1	1113,1	4,9	474,3	6,2	-	-	-	-

\* transactions between resident banks

"-" - no transactions