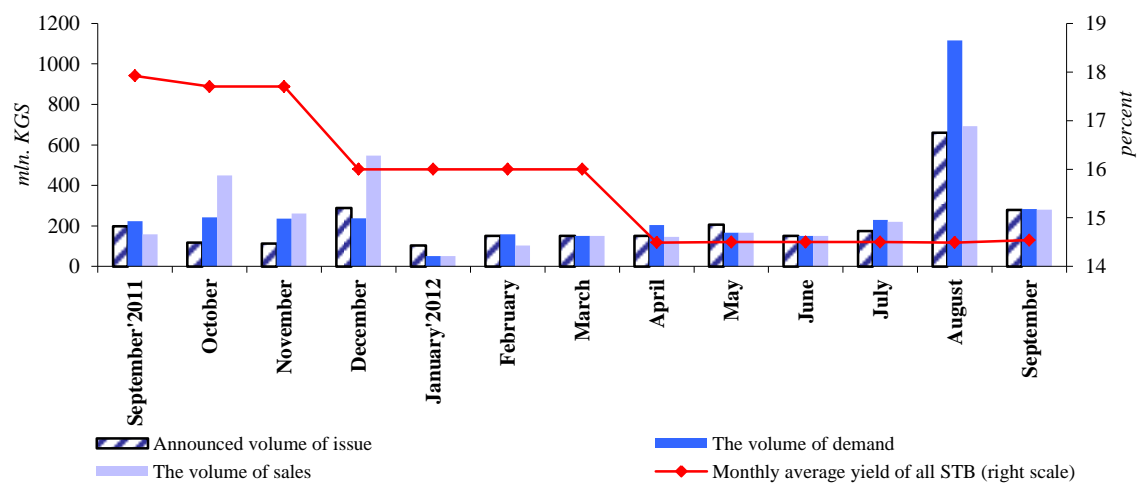


## Market of state treasury bonds (September 2012)

According to the practice established in the current year, in September, one auction on the placement of treasury bills of the Ministry of Finance on the primary market was held, as the results of which market participants purchased securities on total amount of 281.0 million KGS, which is 57.5 percent lower than the previous month. This decline was due to a decrease of sales activity by commercial banks (only two commercial banks have showed an interest), and by reducing the amount of the purchase of T-bills by institutional investor, actively participating in June 2012. The level of satisfaction of the demand has increased by 60.1 percent to 99.3 percent. The yield of securities remained on the level of previous month at 14.5 percent. Despite the relatively high level of the yield of STB, interest rate to this type of government securities by the majority of the banks stays relatively low due to the short-term nature of their resource base.

**Graph 1. The dynamics of volume of supply and demand and yield of STB**



In September, the volume of STB in circulation amounted to 4.1 billion KGS, having decreased over the month by 4.0 percent. At the same time, a decrease in the share of commercial banks by 5.5 percentage points (to 40.3 percent), share of resident banks decreased by 5.4 percent and constituted on the level of 59.7 percent. A share of resident companies continued to be at the level of 0.1 percent.

Over the month, the concentration index<sup>1</sup> of the STB primary market constituted 0.35, which indicates a high level of concentration and corresponds to the presence of three investors with equal shares on the market.

In the reporting period, operations with STB in the secondary market did not occur.

<sup>1</sup> This index indicates the degree of concentration of the securities in the portfolio of banks. Concentration index is calculated by the Herfindahl-Hirschman method and is the sum of squares of the shares in the total volume. The possible values of the index are in the range of values from 0 to 1. The index value of less than 0.10 corresponds to the low level of concentration; from 0.10 to 0.18 - the average level of concentration, over 0.18 - a high level of concentration. For example, the concentration index equal to 0.50 is equivalent to the presence of two market participants with equal shares; 0.30 - three participants, etc.

**Table 1. The structure of the STB holders at face value**

*thous. KGS*

Date	TOTAL	Including							
		NBKR		Commercial banks		Institutional investors		Resident companies	
		Amount	Share	Amount	Share	Amount	Share	Amount	Share
September'2011	2,752,012.0	70,685.7	2.6%	1,861,097.7	67.6%	817,283.6	29.7%	2,945.0	0.1%
October	2,927,012.0	500,940.7	17.1%	1,888,929.5	64.5%	532,494.6	18.2%	4,605.2	0.2%
November	3,056,703.0	500,940.7	16.4%	1,881,130.5	61.5%	671,484.6	22.0%	3,105.2	0.1%
December	3,035,970.0	0.0	0.0%	1,857,228.9	61.2%	1,175,593.9	38.7%	3,105.2	0.1%
January'2012	3,047,170.0	0.0	0.0%	1,868,428.9	61.3%	1,175,593.9	38.6%	3,105.2	0.1%
February	3,092,940.0	0.0	0.0%	1,914,198.9	61.9%	1,175,593.9	38.0%	3,105.2	0.1%
March	3,055,690.0	0.0	0.0%	1,921,038.9	62.9%	1,131,503.9	37.0%	3,105.2	0.1%
April	3,145,470.0	0.0	0.0%	2,011,168.9	63.9%	1,131,153.9	36.0%	3,105.2	0.1%
May	3,234,570.0	0.0	0.0%	2,099,268.9	64.9%	1,131,153.9	35.0%	4,105.2	0.1%
June	3,229,690.0	0.0	0.0%	1,994,368.9	61.8%	1,231,173.9	38.1%	4,105.2	0.1%
July	3,449,700.0	0.0	0.0%	2,164,368.9	62.7%	1,281,183.9	37.1%	4,105.2	0.1%
August	3,936,450.0	0.0	0.0%	2,563,273.2	65.1%	1,369,974.6	34.8%	3,160.2	0.1%
September	4,092,450.0	0.0	0.0%	2,441,373.2	59.7%	1,647,874.6	40.3%	3,160.2	0.1%