NBKR notes
(August 2012)
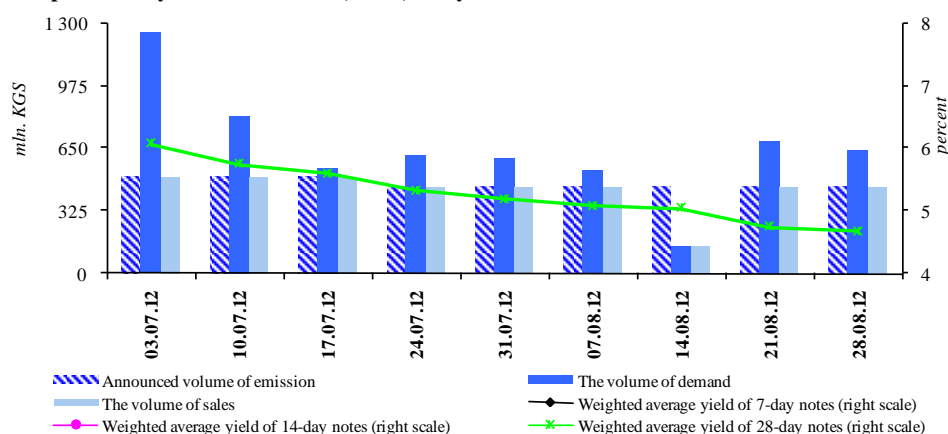
Graph 1. Demand and placement of NBKR notes

Announced volume of issue
The volume of demand
The volume of sales
Monthly average yield on all NBKR notes (right scale)
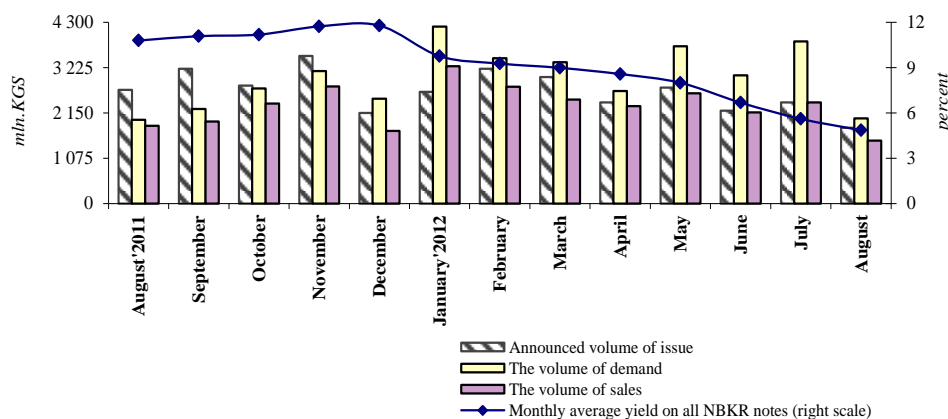
At the four auctions of placement of NBKR notes held in August, securities of the total amount of 1.5 billion KGS were placed, which is 37.7 percent lower than the analogous indicator of the previous month. As in July, the entire volume of sales was represented by 28-day notes, most of them were purchased by three commercial banks with a total share in the structure of sales of 77.0 percent. At the same time the volume of aggregate demand in August decreased not only due to the decline of quantity of conducted notes auctions compared to the previous month, but by decline of the average auction volume of demand, constituted at 504.5 mln. KGS against 769.1 mln. KGS in July. As a result the average auction volume of sales in August constituted 373.6 mln. KGS, decreased by 22.2 percent compared to the indicator of the previous month. In the period under review demand for notes in the most of conducted auctions by the issuer exceeded volume of supply, reduced from the last decade of July to 450.0 mln. KGS for the auction, according the objectives of conducted monetary policy of the National Bank.

The total average yield of NBKR notes in August, represented by the yield of only 28-day notes, decreased by 0.8 percentage points, and constituted 4.9 percent.

Graph 2. The dynamics of demand, sales, and yield of NBKR notes

Announced volume of emission
The volume of sales
Weighted average yield of 14-day notes (right scale)
The volume of demand
Weighted average yield of 7-day notes (right scale)
Weighted average yield of 28-day notes (right scale)

In the period under review the volume of notes in circulation decreased by 23.4 percent, constituted on the level of 1.5 billion KGS, due to repayment of significant part of portfolio of notes of commercial banks. As a result, share of commercial banks, the main holders of NBKR notes, decreased by 32.2 percentage points, to 52.2 percent on the background of simultaneous increase from 8.8 to 39.4 percent by the results of the month of the share of portfolio of resident companies. At the same time, share of institutional investors increased by 1.6 percentage points, to 8.2 percent, despite the quantitative decrease of volume of securities, and the share of resident individuals remained unchanged at a level of 0.1 percent.

Formed in the reviewed period the concentration index indicator of notes[1] (0.27) shows on continuous high level of concentration, which is equivalent to the presence of four major participants on the market with equal shares.

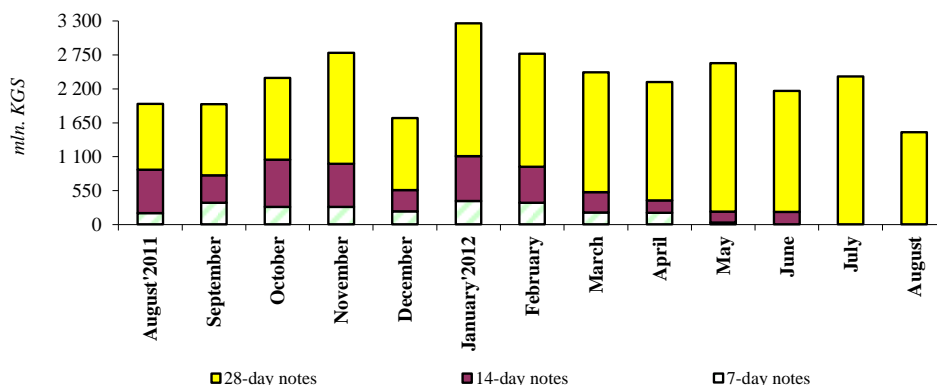**Graph 3. The dynamics of sales of NBKR notes**

☐ 28-day notes   ☐ 14-day notes   ☐ 7-day notes

Table 1.The structure of the holders of NBKR notes at par value

mln. KGS

Date	TOTAL	Including							
		Commercial Banks		Resident companies		Resident individuals		Institutional investors	
		Amount	Share	Amount	Share	Amount	Share	Amount	Share
01.09.2011	1 357,2	899,5	66,3%	55,9	4,1%	0,8	0,1%	401,0	29,5%
01.10.2011	1 368,4	1 055,2	77,1%	49,1	3,6%	0,1	0,0%	264,0	19,3%
01.11.2011	1 738,2	1 345,4	77,4%	42,7	2,5%	0,1	0,0%	350,0	20,1%
01.12.2011	1 732,4	1 215,8	70,2%	49,6	2,9%	-	0,0%	467,0	27,0%
01.01.2012	1 366,4	1 065,3	78,0%	19,4	1,4%	0,2	0,0%	281,5	20,6%
01.02.2012	2 209,5	1 666,1	75,4%	88,0	4,0%	10,3	0,5%	445,1	20,1%
01.03.2012	2 313,0	1 527,6	66,0%	162,9	7,0%	1,1	0,0%	621,5	26,9%
01.04.2012	2 113,8	1 507,0	71,3%	237,3	11,2%	2,4	0,1%	367,1	17,4%
01.05.2012	2 072,4	1 424,6	68,7%	224,5	10,8%	2,3	0,1%	421,0	20,3%
01.06.2012	2 196,2	1 471,2	67,0%	129,2	5,9%	4,8	0,2%	591,0	26,9%
01.07.2012	2 063,9	1 477,8	71,6%	341,7	16,6%	-	0,0%	244,3	11,8%
01.08.2012	1 950,0	1 646,8	84,5%	171,5	8,8%	2,0	0,1%	129,7	6,7%
01.09.2012	1 494,4	780,3	52,2%	588,9	39,4%	2,0	0,1%	123,2	8,2%

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[1] 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.