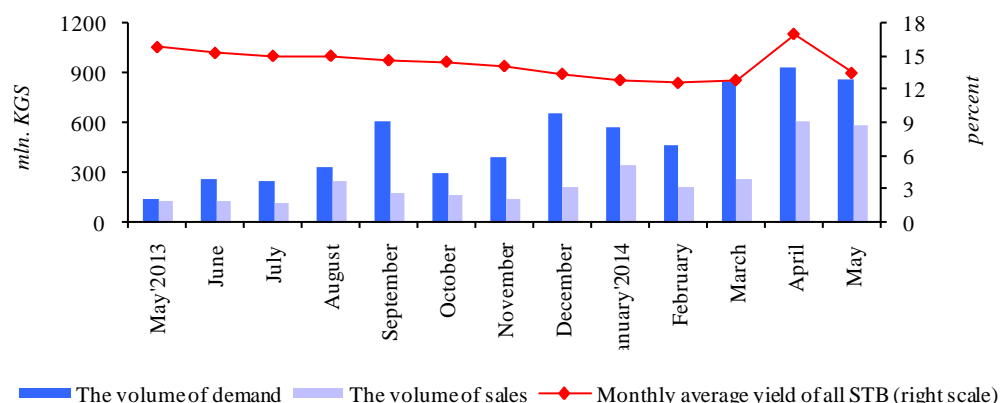


## Market of State Treasury Bonds

(May, 2014)

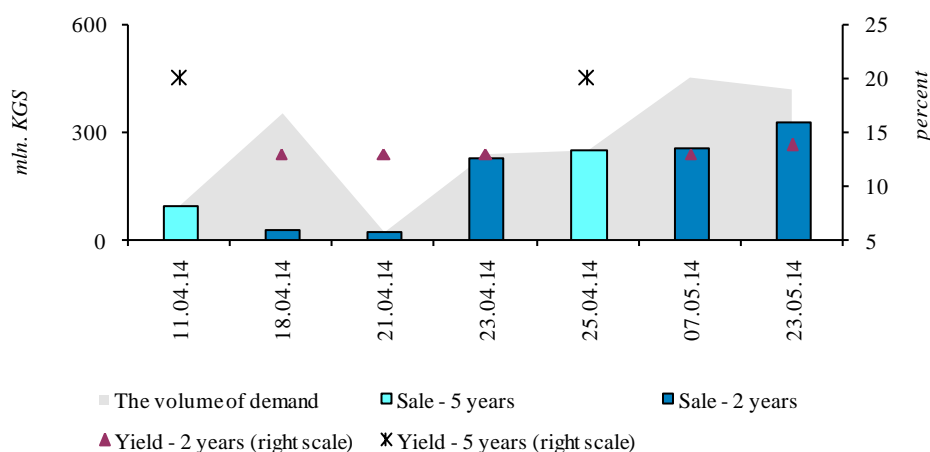
**Graph 1. The dynamics of volume of supply and demand and yield of STB**



In May there were two auctions for settlement of Treasury bonds of the Ministry of finance of the Kyrgyz Republic on the primary market. The total volume of the announced issue of ST-bonds amounted 800.0 million soms, having decreased compared to the previous month by 4.7 percent. In the reporting period, the Ministry of finance of the Kyrgyz Republic offered only 2-year ST-bonds. As a result, market participants purchased the securities in the amount of 588.0 million soms, having decreased compared to the previous month by 3.6 percent. Such decline in sales was a result of a decrease in activity of commercial banks. Volume of demand amounted to 869.2 million soms (-7.7 percent). At the same time, the level of filled demand grew by 2.9 percentage points and was 67.7 percent.

The overall average yield of 2-year ST-bonds in the reporting period developed at a rate of 13.5 percent, having decreased for month by 3.5 percentage points.

**Graph 2. The dynamics of volume of supply and demand and yield of STB**



The volume of ST-bonds in circulation has increased to 6.8 billion soms (+6.6 percent). At the same time, it was observed an increase in the proportion of core shareholders – commercial banks, by 0.4 percentage points (to 46.3 percent). The share of institutional investors, by contrast, fell by 0.4 percentage points and developed at a rate of 53.6 percent. The share of resident legal entities remained at the previous month’s level of 0.1 percent. Nonresident legal entities and individuals in the reporting month did not purchase these securities.

Over the month, the concentration index<sup>1</sup> of the ST-bonds primary market was 0.31 that 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 ST-bonds on the secondary market were not committed.

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

*thous. KGS*

Date	TOTAL						
		Commercial Banks		Institutional Investors		Resident companies	
		Amount	Share	Amount	Share	Amount	Share
May'2013	5 107 700,0	2 707 009,2	53,0%	2 397 488,6	46,9%	3 160,2	0,1%
June	5 612 700,0	2 796 903,1	49,8%	2 812 594,7	50,1%	3 160,2	0,1%
July	5 728 700,0	2 796 903,1	48,8%	2 928 594,7	51,1%	3 160,2	0,1%
August	5 598 700,0	2 838 031,9	50,7%	2 757 465,9	49,3%	3 160,2	0,1%
September	5 720 480,0	3 012 511,9	52,7%	2 704 765,9	47,3%	3 160,2	0,1%
October	5 437 480,0	2 627 076,6	48,3%	2 717 403,4	50,0%	3 000,0	0,1%
November	5 318 580,0	2 635 176,6	49,5%	2 588 703,4	48,7%	4 700,0	0,1%
December	5 740 680,0	3 431 385,9	59,8%	2 214 594,1	38,6%	4 700,0	0,1%
January'2014	5 785 280,0	3 374 033,5	58,3%	2 315 546,5	40,0%	5 700,0	0,1%
February	5 425 380,0	3 047 712,1	56,2%	2 371 967,9	43,7%	5 700,0	0,1%
March	5 916 280,0	3 073 612,1	52,0%	2 836 967,9	48,0%	5 700,0	0,1%
April	6 404 580,0	2 939 877,8	45,9%	3 459 002,2	54,0%	5 700,0	0,1%
May	6 826 480,0	3 161 885,4	46,3%	3 658 894,6	53,6%	5 700,0	0,1%

<sup>1</sup> This index shows the degree of concentration of the securities in the portfolio of banks. The concentration index is calculated by the method of Herfindahl-Hirschman and represents the sum of the squares of the proportions of index in total volume. Possible index values are in the range from 0 to 1. Index value less than 0.10 corresponds to a low concentration level; from 0.10 to 0.18 – to an average level of concentration; over 0.18 - to 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 – of three participants, etc.