



*Ministry of Finance of the Republic of Macedonia  
Public Debt Management Department*

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September - October 2008**

**GOVERNMENT SECURITIES MARKET IN THE REPUBLIC OF MACEDONIA**

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*November, 2008*



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## **1 EVENTS ON THE FINANCIAL MARKET IN THE PAST PERIOD**

### **1.1 Trends on the primary market for government securities in the Republic of Macedonia**

In the course of September and October, interest rates on the government securities market (hereinafter: GS) showed slight increase at all maturities. Compared to the trends in interest rates from the beginning of 2008, one can conclude that they observed stabilization trend. Average weighted interest rate on 3-month treasury bills achieved on the auctions in the course of September was 7,43%, while the same interest rate achieved on the auctions in October increased by 0,14 percentage points and was 7,57%. Average weighted interest rate on 6- month treasury bills achieved on the auction in September was 7.68%, amounting to 7,86%, being an increase by 0.18 percentage points in August. One auction of 12-month treasury bills was also held in September, and the weighted interest rate achieved on this auction was 7.99%, being an increase by 0.07 percentage points compared to the previous auction of 12-month treasury bills, being held in July. With regard to the auctions of long-term securities being organized in the last period, one-auction of 2-year government bonds and one auction of 30-year government bonds were realized. Compared to the previous auctions of long-term securities, coupon interest rate on 2-year government bonds was positioned to 8.25%, as well as on the previous auction held in August, while the coupon interest rate on 3-year government bonds increased by 0.40 percentage points and was 8.40%.

During the analyzed period, four issues of 3-month treasury bills, two issues of 6-month treasury bills, one issue of 12- month treasury bills one issue of 2- year government bonds and one issue of 3-year government bonds were made. One can generally conclude that with regard to the GS auctions realized in this period, demand was lower compared to the offered amount, i.e. total amount of GS being offered at the auctions was Denar 4.3 billion and the demand thereof amounted to Denar 2.73 billion. Percentage of demand coverage compared to the demand in the past period amounted to 63.53%, being increase by 6.57 percentage points compared to the previous period when the demand coverage was 46.96%.

Commercial Banks from the Republic of Macedonia continue to have dominant place in the ownership structure of undue GS. However, trend of decrease in the percentage share of the commercial banks has begun since the beginning of the year and it also continued in the analysed period. As of the last auction of GS held in October, percentage share of banks amounted to 62.58%, being decrease by 2.03 percentage points compared to August. Decrease in the percentage share in the ownership structure of undue GS was also recorded at some of the other investors. In fact, share of the category "Other" decreased by 2.99 percentage points, the share of the saving houses decreased by 0.17 percentage points as well as the share of natural persons by insignificant 0.01 percentage points. Decrease in the share in the ownership structure of undue GS of some of the investors enabled space for increasing the share of insurance companies by 4,82 percentage points, as well as of the share of pension funds by 0,37



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percentage points.

**1.2 Trends on the secondary market for government securities in the Republic of Macedonia**

In the course of September – October 2008, insignificant trading in government securities was recorded on the OTC market (treasury bills and government bonds), i.e. only two transactions in treasury bills were realized in the analyzed period. Total nominal trading amount was Denar 1 million, with average price of 99.5294 and average yield to maturity of 7.30%.

In the course of September, structural bonds were traded on the Macedonian Stock Exchange in the total amount of EUR 3.47 million, and the total trading turnover regarding structural bonds was EUR 2.94 million or Denar 179.98 million. Average yield to maturity reached the level of 7.17%.

Total trading volume regarding structural bonds amounted to EUR 9.31 million in October, and the total trading turnover regarding structural bonds was EUR 7.65 million or Denar 494.27 million. Average yield to maturity reached the level of 7.93%.

In October, trading volume regarding structural bonds was higher by EUR 5.84 million in relation to the trading volume in September, and at the same time the trading turnover regarding structural bonds was higher by EUR 4.71 million compared to the previous month. In October, average yield to maturity was higher by 0.76 percentage points compared to the one in September. The share of foreign investors on the Macedonian Stock Exchange regarding government bonds (continuous and structural) was 5.24% in October, being decrease by 2,10 percentage points compared to the share of foreign investors in September when it amounted to 7,34%.

**1.3 Review of ownership structure of undue structural government bonds regarding old foreign exchange saving and denationalisation as of October 2008, inclusive**

As of October 2008, total stock of undue structural government bonds was EUR 265.11 million, EUR 122.60 million out of which referred to the structural government bonds for denationalization (seven issues of government bonds for denationalization), whereas EUR 142.51 million referred to the structural government bonds for old foreign exchange saving. Total number of holders of undue government bonds is 129,038, 6,665 out of which are holders of bonds for denationalization, and 122,373 are holders of bonds for old foreign exchange saving. In addition, EUR 173.million out of the total amount of undue structural bonds are owned by natural persons, and EUR 91.84 million are owned by legal entities. Out of the total amount owned by the legal entities, EUR 34.63 million or



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37.71 % belong to banks, EUR 0.63 million or 0.69% are owned by brokerage houses, and the other EUR 56.57 million or 61.60% % are under the ownership of the other legal entities.

Ratio in the ownership structure of undue structural government bonds between natural persons and legal entities in October compared to August, showed increase of the share of legal entities by 2.18 percentage points compared to the share of natural persons being decreased by the same difference. In October, ratio between natural persons and legal entities , was 65.40 : 34.60.



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## 1 GOVERNMENT SECURITIES MARKET

### 1.1 Primary market

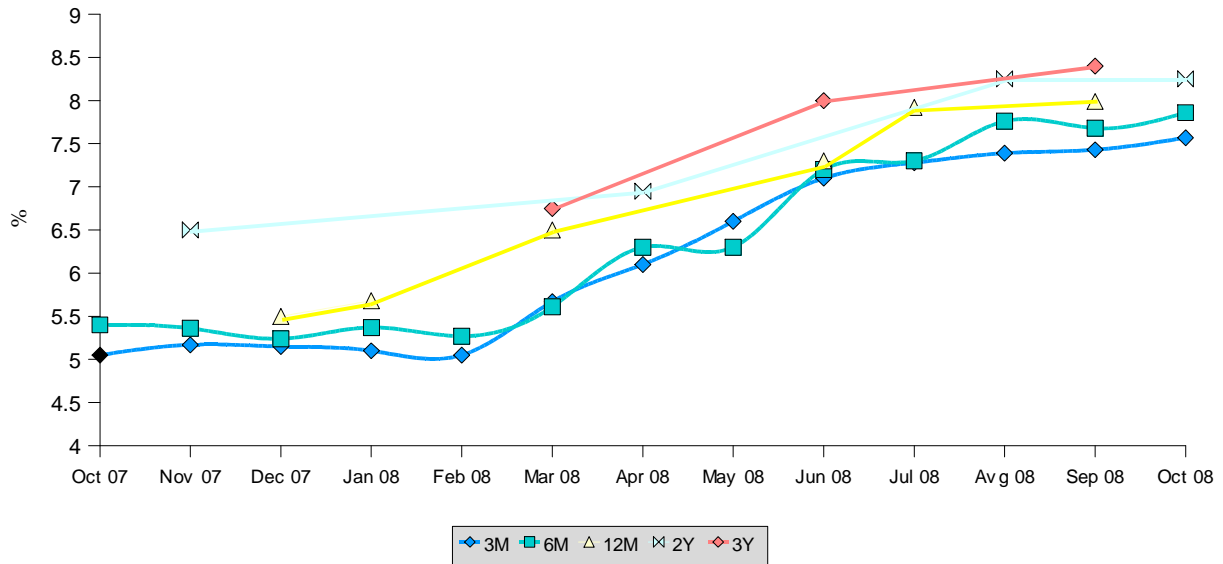
	Results from the auctions of government securities in September 2008				
	3 month	6 month	12 month	3 year	
	DZ2008/17-91	DZ2008/18-91	DZ2008/09-182	DZ2008/05-364	DO2008/06-0911
ISIN code	MKMINFDZ8171	MKMINFDZ8189	MKMINFDS8097	MKMINFDY8057	MKMINF20G184
Days of maturity	91	91	182	364	3 години
Date of auction	02.09.2008	16.09.2008	02.09.2008	16.09.2008	25.09.2008
Maturity date	03.12.2008	17.12.2008	04.03.2009	16.09.2009	29.09.2011
Max. interest rate	7.80	7.70	8.00	8.00	-
Min. interest rate	7.19	7.19	7.43	7.99	-
Average interest rate	7.41	7.44	7.68	7.99	-
Coupon interest rate	-	-	-	-	8.40
Average price	98.1616	98.1549	96.2609	92.5247	100.0000
Amount offered for sale	400,000,000	450,000,000	350,000,000	350,000,000	300,000,000
Amount of bids submitted	571,030,000	497,700,000	198,950,000	67,000,000	8,500,000
Amount of bids accepted	400,000,000	403,700,000	137,500,000	47,000,000	8,500,000
Amount of bids accepted from competitive bids	400,000,000	403,700,000	137,500,000	47,000,000	-
Amount of bids accepted from noncompetitive bids	0	0	0	0	-
Percent of noncompetitive bids	1	1	1	1	-
Bid to cover ratio	1.43	1.23	1.45	1.43	1
Submitted bids	26	21	9	6	2
Accepted bids	21	16	7	5	2
	Results from the auctions of government securities in October 2008				
	3 month	6 month	2 year		
	DZ2008/19-92	DZ2008/20-91	DZ2008/10-182	DO2008/07-1010	-
ISIN code	MKMINFDZ8197	MKMINFDZ8205	MKMINFDS8105	MKMINF20G192	-
Days of maturity	92	91	182	2 години	-
Date of auction	07.10.2008	21.10.2008	07.10.2008	28.10.2008	-
Maturity date	08.01.2009	21.01.2009	08.04.2009	30.10.2010	-
Max. interest rate	7.69	7.80	8.00	-	-
Min. interest rate	7.19	7.29	7.43	-	-
Average interest rate	7.48	7.65	7.86	-	-
Average price	98.1233	98.1041	96.1788	100.0000	-
Coupon interest rate	-	-	-	8.25	-
Amount offered for sale	700,000,000	800,000,000	500,000,000	450,000,000	-
Amount of bids submitted	663,790,000	433,130,000	291,520,000	185,000,000	-
Amount of bids accepted	633,790,000	432,330,000	291,520,000	185,000,000	-
Amount of bids accepted from competitive bids	633,790,000	432,330,000	291,520,000	-	-
Amount of bids accepted from noncompetitive bids	0	0	0	-	-
Percent of noncompetitive bids	1	1	1	-	-
Bid to cover ratio	1.05	1.00	1.00	1.00	-
Submitted bids	22	21	8	3	-
Accepted bids	19	20	8	3	-

Source: Ministry of Finance



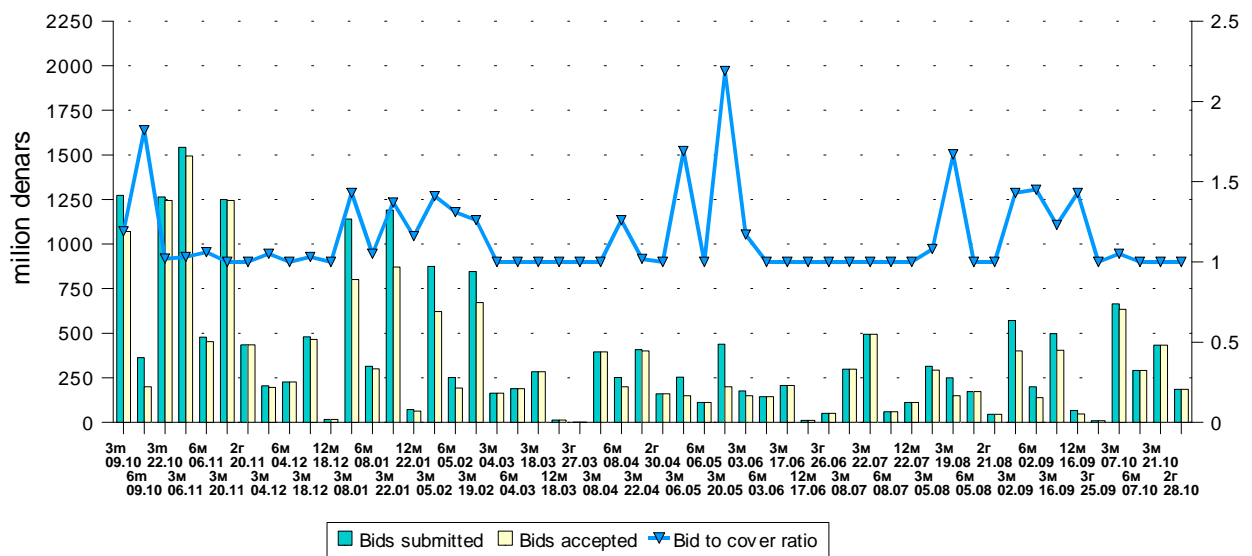
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Weighted interest rates at GS auctions



Source: Ministry of Finance

Bids submitted and bids accepted at GS auctions in October 2007 - October 2008

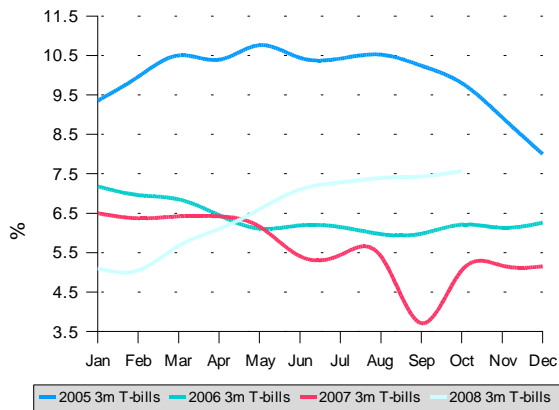


Source: Ministry of Finance

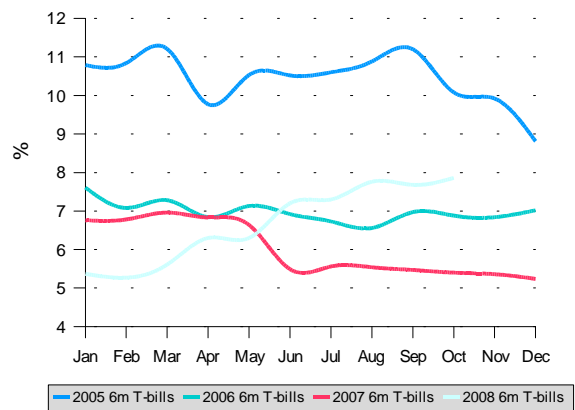


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Interest rates of 3 month T-bills 2005, 2006, 2007 and 2008

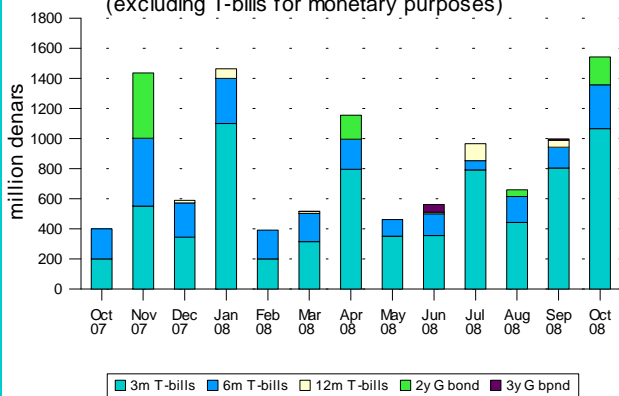


Interest rates of 6 month T-bills 2005, 2006, 2007 and 2008

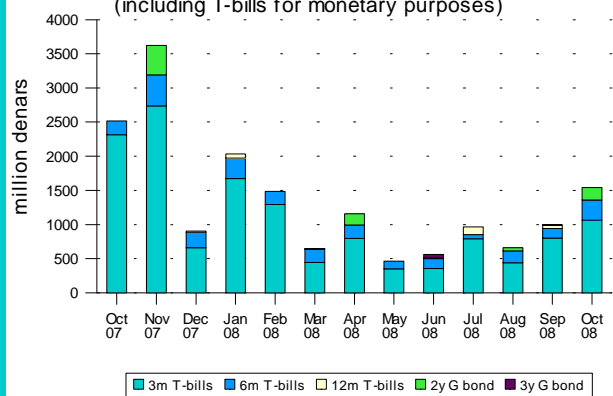


Source: Ministry of Finance

Issuance activity in 2007 and 2008, by month (excluding T-bills for monetary purposes)



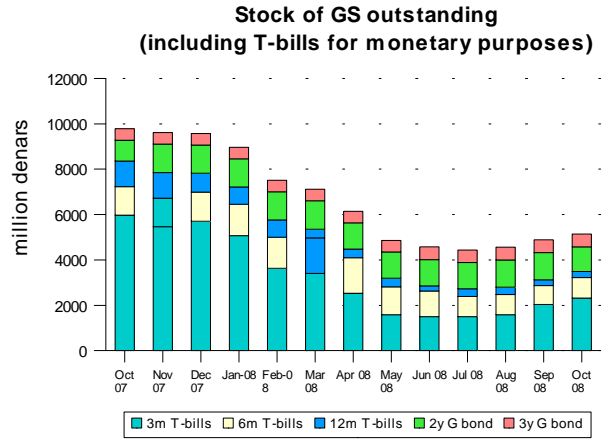
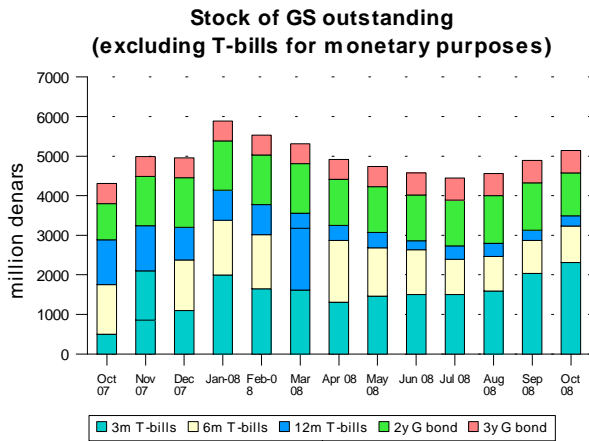
Issuance activity in 2007 and 2008, by month (including T-bills for monetary purposes)



Source: Ministry of Finance

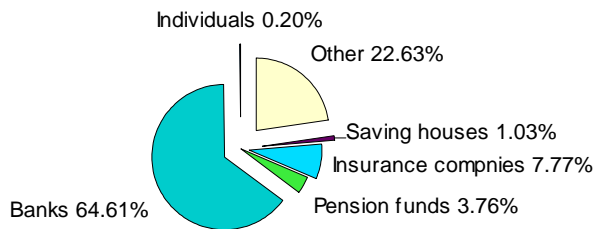


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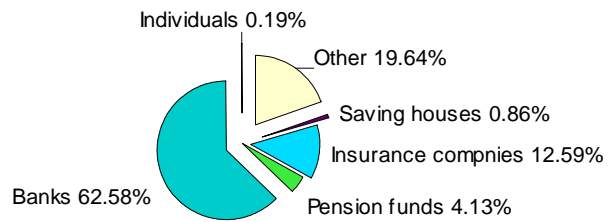


Source: Ministry of Finance

**Ownership structure of continuous GS outstanding, August 2008**



**Ownership structure of continuous GS outstanding, October 2008**

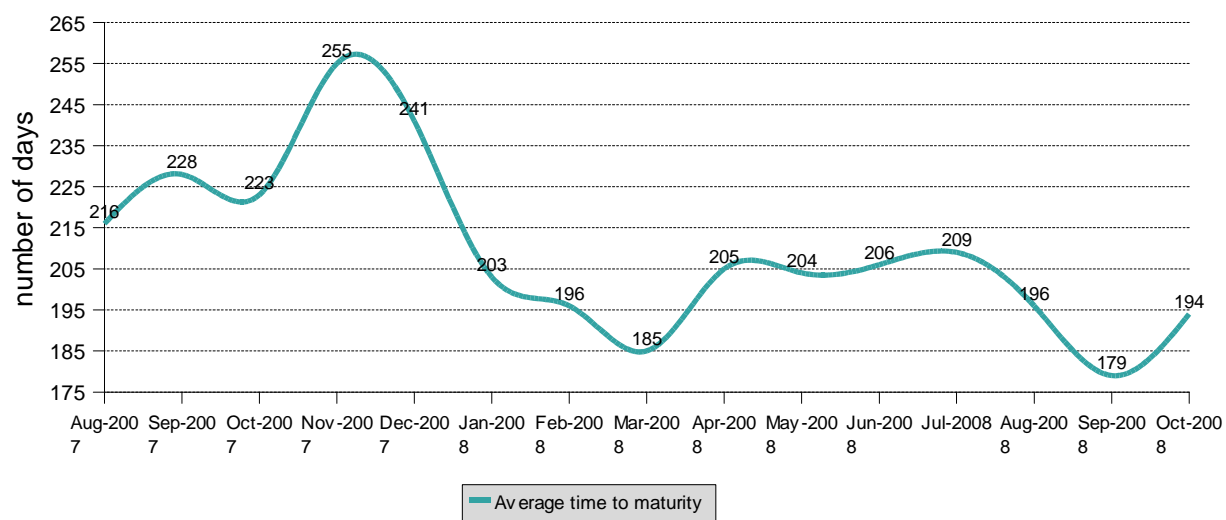


Source: Ministry of Finance



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Average time to maturity-ATM\* of continuous government securities



\*Average time to maturity (ATM) is an indicator showing the refinancing risk, which is especially relevant when the debt should be refinanced by additional issuance of new public debt. ATM shows the average length of time until maturity of securities and the sensitivity of fixed-income funds to the interest rate variations. The longer the period of time of ATM, the greater the sensitivity to the interest rate variations.

	Treasury bills		Government bonds				Total	
			2 years		3 years			
Duration*	31th of August 2008	31th of October 2008	31th of August 2008	31th of October 2008	31th of August 2008	31th of October 2008	31th of August 2008	31th of October 2008
Average days	67.22	73.62	311.77	396.33	518.97	465.33	191.40	189.90
Average years	0.18	0.20	0.85	1.09	1.42	1.27	0.52	0.52

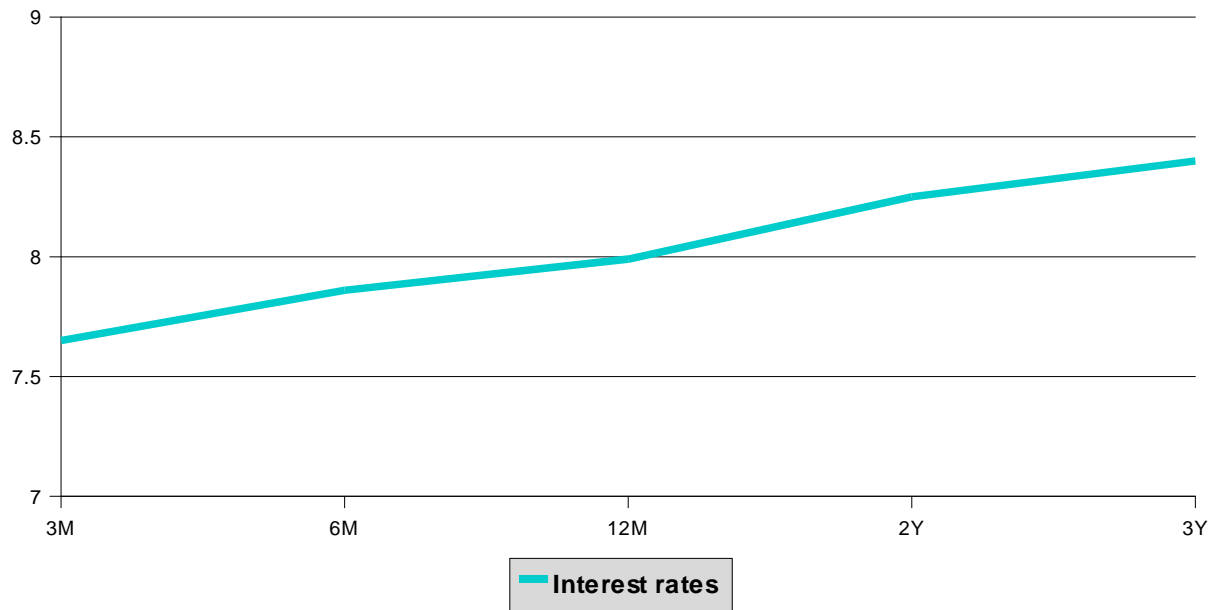
\*Duration is an indicator showing the risk of interest rate variations. More precisely, this indicator shows how soon the interest rate changes would affect the debt-related cost, i.e. what is the change in the value of the fixed-income securities resulting from 1% variation in interest rates. When expressed in years, 5-year duration means that the value of the securities would grow by 5% should the interest rates decline by 1% and vice-versa.

Source: Ministry of Finance



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### Yield to maturity of GS on primary market



Source: Ministry of Finance



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## 1.2 Secondary market

### 1.2.1 Macedonian Stock Exchange

#### OVERVIEW OF TRADING WITH BONDS ON MACEDONIAN STOCK EXCHANGE

September 2008	High (%)	Low (%)	Last daily average price (%)	Last trading day	Volume (NV in EUR)	Turnover (denars)	Turnover (EUR)	Yield to maturity
PM01	92,00	90,80	91,50	24.09.2008	208,293.00	11,596,157.00	189,579.00	8,45%
PMДЕН01	89,90	89,90	89,90	17.09.2008	2,000.00	109,989.00	1,798.00	7,28%
PMДЕН02	88,00	87,40	87,40	29.09.2008	78,221.00	4,206,145.00	68,767.00	7,50%
PMДЕН03	86,00	85,00	85,00	29.09.2008	5,413.00	284,578.00	4,653.00	7,70%
PMДЕН04	87,00	84,00	84,00	23.09.2008	91,507.00	4,842,138.00	79,159.00	7,29%
PMДЕН05	88,00	81,50	81,60	18.09.2008	608,165.00	32,136,758.00	525,339.00	7,51%
PMДЕН06	87,00	81,10	83,40	29.09.2008	155,800.00	8,199,260.00	134,045.00	6,38%
PMДЕН07	85,80	80,00	80,31	29.09.2008	2,321,081.00	118,601,392.00	1,938,767.00	7,00%

October 2008	High (%)	Low (%)	Last daily average price (%)	Last trading day	Volume (NV in EUR)	Turnover (denars)	Turnover (EUR)	Yield to maturity
PM01	91,60	90,10	91,36	31.10.2008	3,301,955.00	183,784,867.00	3,004,266.00	7,86%
PMДЕН01	90,00	89,30	89,30	30.10.2008	46,666.00	2,568,228.00	41,981.00	7,88%
PMДЕН02	87,40	85,20	86,00	31.10.2008	1,507,841.00	80,259,970.00	1,311,983.00	8,42%
PMДЕН03	85,80	85,00	85,80	30.10.2008	1,928,464.00	100,525,899.00	1,643,177.00	7,48%
PMДЕН04	84,10	80,70	81,44	30.10.2008	1,701,176.00	86,844,150.00	1,419,345.00	8,46%
PMДЕН05	82,00	81,00	81,79	30.10.2008	194,684.00	9,659,929.00	157,869.00	7,57%
PMДЕН06	81,20	80,00	80,10	31.10.2008	30,074.00	1,488,165.00	24,311.00	7,53%
PMДЕН07	82,40	79,30	80,02	31.10.2008	594,628.00	29,137,119.00	47,581.00	7,18%

Source: Macedonian Stock Exchange

#### FOREIGN INVESTORS ON THE OFFICIAL MARKET

Foreign investors	Oct 2007	Nov 2007	Dec 2007	Jan 2008	Feb 2008	Mar 2008	Apr 2008	May 2008	Jun 2008	Jul 2008	Aug 2008	Sep 2008	Oct 2008
Bonds*	8.72%	8.58%	8.40%	8.39%	8.38%	8.38%	8.39%	7.87%	7.68%	7.97%	7.35%	7.34%	5.24%

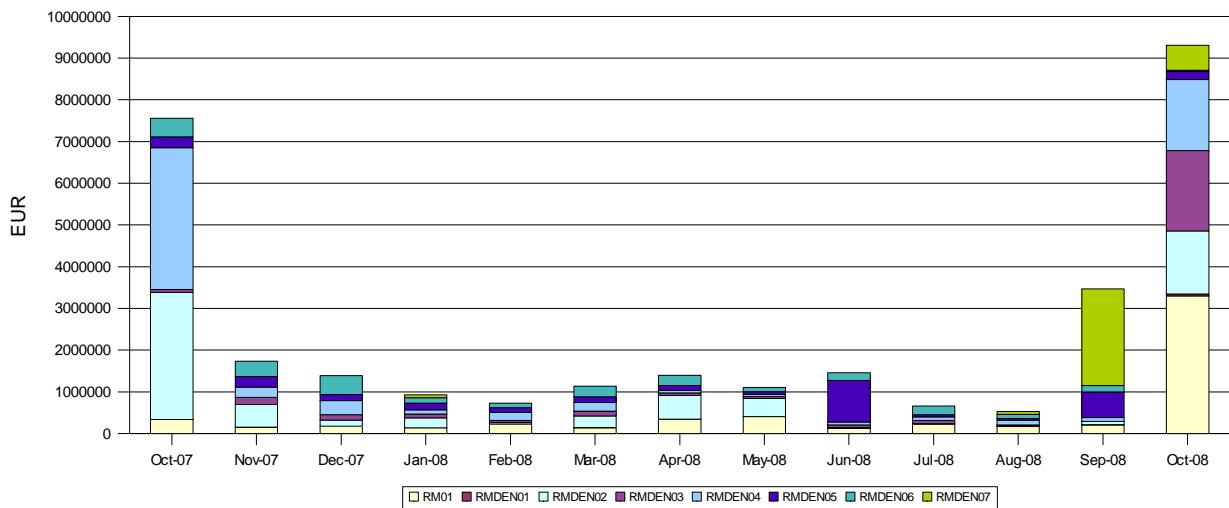
\* Data as of end of the month, according to the Central Securities Depository, regarding the participation of the foreign investors in the total nominal value of bonds on the secondary market.

Source: Macedonian Stock Exchange



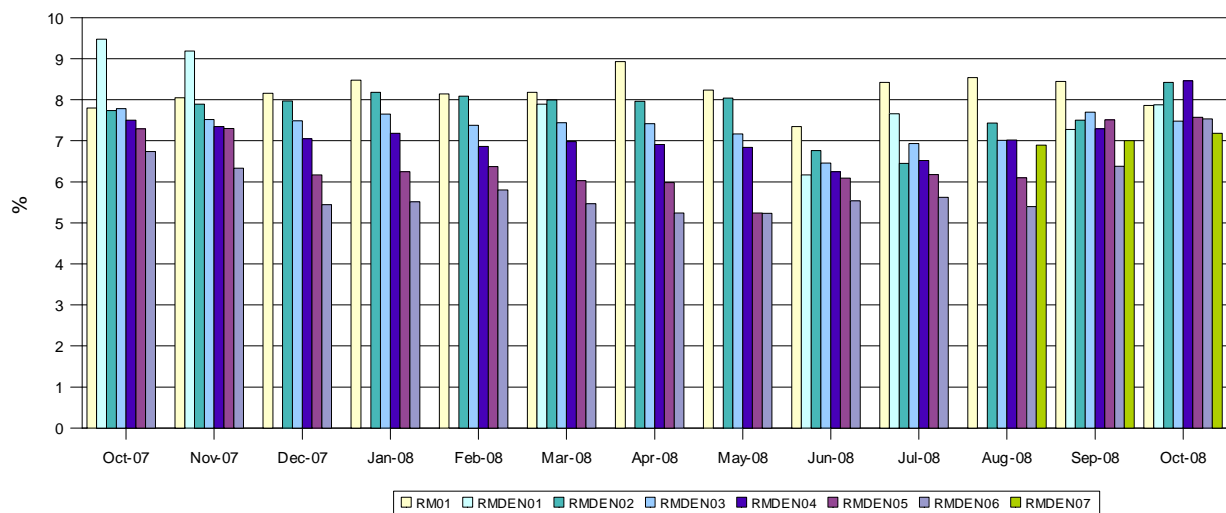
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Amount of trading with Government Securities



Source: Macedonian Stock Exchange

Yield to maturity of Government Securities



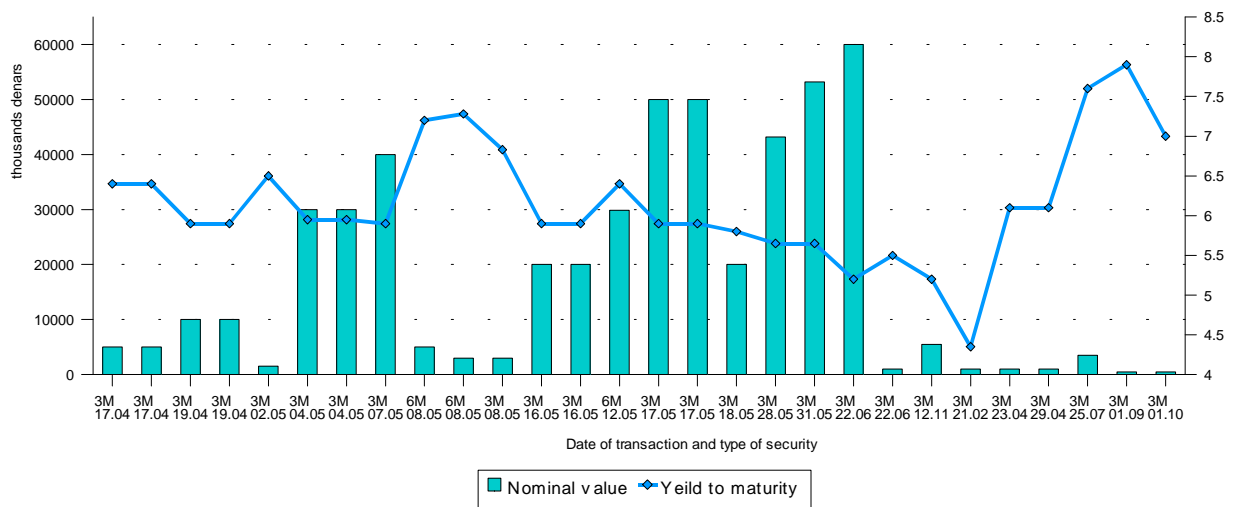
Source: Macedonian Stock Exchange



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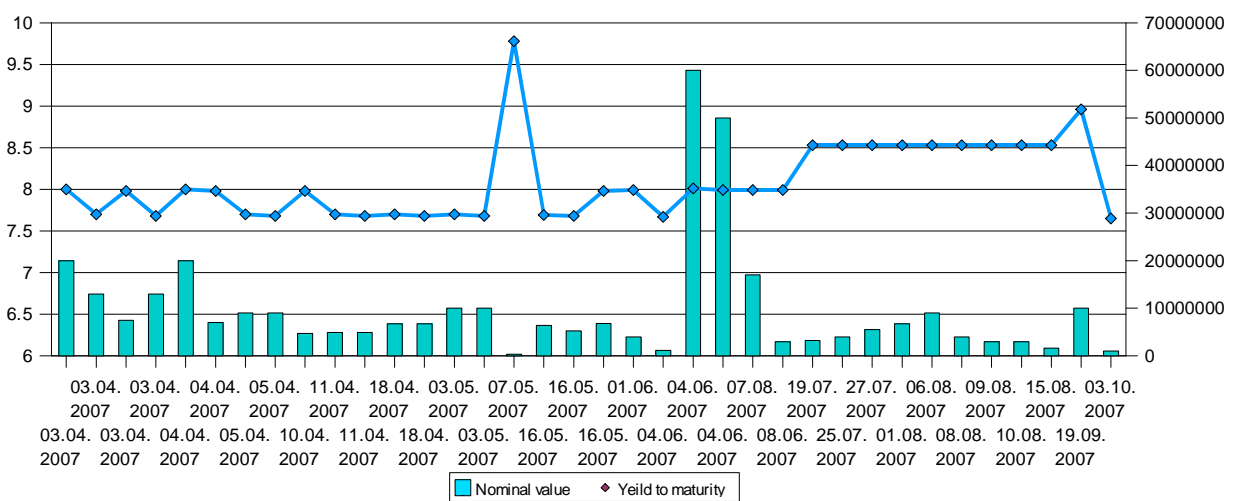
### 1.2.2 Over the counter

Transactions of T-bills carried out through OTC April 2007 - October 2008



Source: NBRM

Transactions of government bonds carried out through OTC April 2007 - October 2008

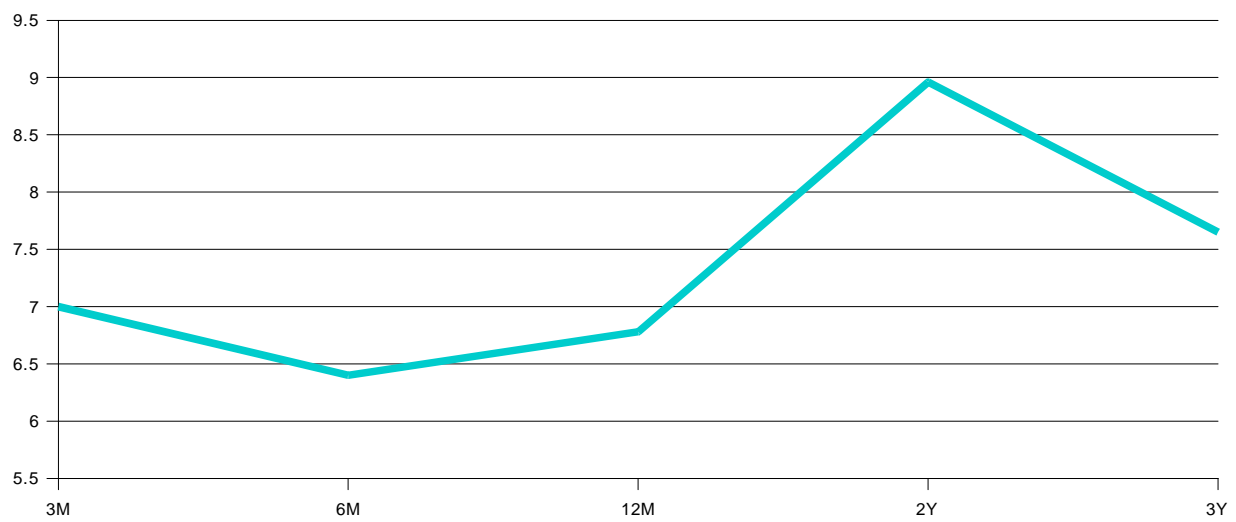


Source: NBRM



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Yield to maturity of GS on secondary market



Source: NBRM



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2 CALENDAR OF AUCTIONS FOR THE FOURTH QUARTER IN 2008 AND FIRST QUARTER IN 2009

Quarter	Month	Auction code	Auction date	Payment date	Maturity date	Maturity (in days years)	
IV	October	DZ2008/19-92	07.10.2008	08.10.2008	08.01.2009	92	
		DZ2008/10-182	07.10.2008	08.10.2008	08.04.2009	182	
		DZ2008/20-91	21.10.2008	22.10.2008	21.01.2009	91	
		DO2008/07-1010	28.10.2008	30.10.2008	30.10.2010	02	
	November	DZ2008/21-91	04.11.2008	05.11.2008	04.02.2009	91	
		DZ2008/11-182	04.11.2008	05.11.2008	06.05.2009	182	
		DZ2008/22-90	18.11.2008	20.11.2008	18.02.2009	90	
	December	DZ2008/23-91	02.12.2008	03.12.2008	04.03.2009	91	
		DZ2008/12-182	02.12.2008	03.12.2008	03.06.2009	182	
		DZ2008/24-91	16.12.2008	17.12.2008	18.03.2009	91	
		DZ2008/06-364	16.12.2008	17.12.2008	16.12.2009	364	
	I	January	DZ2009/01-90	05.01.2009	08.01.2009	08.04.2009	90
			DZ2009/01-181	05.01.2009	08.01.2009	08.07.2009	181
DZ2009/02-91			20.01.2009	21.01.2009	22.04.2009	91	
DZ2009/01-364			20.01.2009	21.01.2009	20.01.2010	364	
February		DZ2009/03-91	03.02.2009	04.02.2009	06.05.2009	91	
		DZ2009/02-182	03.02.2009	04.02.2009	05.08.2009	182	
		DZ2009/04-91	17.02.2009	18.02.2009	20.05.2009	91	
		DO2009/01-0211	24.02.2009	26.02.2009	24.02.2011	02	
March		DZ2009/05-91	03.03.2009	04.03.2009	03.06.2009	91	
		DZ2009/03-182	03.03.2009	04.03.2009	02.09.2009	182	
		DZ2009/06-91	17.03.2009	18.03.2009	17.06.2009	91	
		DZ2009/02-364	17.03.2009	18.03.2009	17.03.2010	364	
		DO2009/02-0312	26.03.2009	30.03.2009	26.03.2012	03	

The Calendar for Q4 in 2008 and Q1 in 2009 year is indicative and it can be a subject of changes due to the national and religious holidays

Source: Ministry of Finance



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**3 AUTHORIZED DIRECT PARTICIPANTS (DATA, CONTACTS AND FEES) \*\*\*\***

	Name	Address	Fax	Phone	Nominal amount	Fee for treasury bills-successful bid*	Fee for government bonds-successful bid	Fee for unsuccessful bid
1	Alfa Banka AD Skopje	Dame Gruev 1	3116-830 3135-206	3116-433	Any amount	0,10% (min. Denar 150)	0,10% (min. Denar 150)	
2	Eurostandard Banka AD Skopje	Vasil Glavinov 12/2	3224-095	3228-444	Any amount	0,12% (min. Denar 300)	0,12% (min. Denar 300)	Denar 300
3	Investbanka Banka AD Skopje	Makedonija 9/11	3135-367	3114-166				
3.1	Investbanka Banka for T-bills				For different amounts	Variable percentage drops from 0,14% to 0,10% ( min. Denar 200.)		
3.2	Investbanka Banka for T-bonds				For different amounts		Variable percentage drops from 0,14% to 0,10% ( min. Denar 500.)	
4	Kapital bank AD Skopje	27 mart, 1	3112-830 3134-060	3119-191 3124-288	up to Denar 200,000 exceeding Denar 200,000	Denar 200 fixed 0,10%	0,10% (min. Denar 200)	Denar 200
5	Izvozna i kreditna banka AD Skopje	Partizanski Odredi 3, blok 11	3122-393	3122-207	Any value	0,12%	0,12%	Denar 300 and Denar 500 for GB
6	Komercijalna Banka AD Skopje	Dimitar Vlahov 4	3113-494	3107-107 3111-133	Any amount	0,12% (min. Denar 300)	0,12% (min. Denar 300)	Denar 300
7	Stater Banka AD Kumanovo	Plostad Nova Jugoslavija b.b.	031/420-061	031/475-100 031/426-455	Any amount	0,12% (min. Denar 200)	0,15% (min. Denar 300)	Denar 200 for TB and Denar 300 for GB
8	Ohridska Banka AD Skopje	Makedonski Prosvetiteli 19	046/254-130 046/254-133	046/206-600 046/265-330	Any value	0,10%	0,10% (min. Denar 100)	Denar 100 for GB
9	Postenska Banka AD Skopje	Marks Engels 3	3220-389 3163-054	3112-862 3163-354	Does not work with clients			
10	ProKredit Banka AD Skopje	Bul. Jane Sandanski 109/a	3219-901	3219-900 3219-948	Any amount	0,10% (min. Denar 200)	0,10% (min. Denar 200)	
11	Centralna Kooperativna Banka AD Skopje	Gradski zid, blok 9, local 5	3114-891 3224-844	3115-288 3115-880 3112-699	Any amount	Denar 500 fixed	0,12% (min. Denar 500)	Denar 500
12	Stopanska Banka AD Bitola**	Dobrivoe Radosavljevik 21	047/207-515 047/207-541 047/207-513	047/207-500	Any amount	0,1% (min. Denar 200)	0,2%	Denar 200 for TB
13	Stopanska Banka AD Skopje	11 Oktomvri, 7	3114-503	3295-295	Any amount	0,11% (min. Denar 400)	0,11% (min. Denar 400)	Denar 250
14	TTK Banka AD Skopje	Naroden front 19/a	3236-444	3236/400				
15	NPB Tutunska banka AD Skopje	12 <sup>th</sup> Udarina Brigada, b.b	3105-630 3105-681	3105-601 3105-606 3105-694	Any amount	0,12% (min. Denar 300)	0,12%	Denar 300
16	Makedonska Banka za poddrška na razvojot AD Skopje							
17	Univerzalna Investiciona Banka AD Skopje	Maksim Gorki 6	3286-000 3130-448	3286-100	Any amount	0,12%	0,12%	
18	T.G Ziraat Bankasi – Skopje branch office***	Zeleznicka 8	3110-013	3111-337	Any amount	0,10% (min. EUR 15, max. EUR 400)	0,10% (min. EUR 15, max. EUR 400)	

\*Data are provided from the commercial banks in the Republic of Macedonia and are subject to changes according to the business policy of the banks.

\*\*All banks charge fees on the nominal amount, except Stopanska Banka AD Bitola, which charges fee on the discounted amount.

\*\*\* The amounts expressed in EUR are calculated in Denar equivalent on the day of payment according to the NBRM exchange rate.

\*\*\*\* Makedonska Banka za poddrška na razvojot AD Skopje do not work with clients.

All information on the bank fees for buying treasury bills and government bonds on behalf of the clients are available at the Ministry of Finance website [www.finance.gov.mk](http://www.finance.gov.mk), which is regularly updated after receiving bank notifications.



*Ministry of Finance of the Republic of Macedonia  
Public Debt Management Department*

#### **4 CONTACT PERSONS**

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