



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

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GOVERNMENT SECURITIES MARKET IN THE REPUBLIC OF MACEDONIA

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March, 2009



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1 EVENTS ON THE FINANCIAL MARKET IN THE PAST PERIOD

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

Trend of continuous increase of interest rates on the government securities market (hereinafter: GS), evident in 2008, continued in the first two months in 2009 as well. Despite the fact that interest rates on GS auctions during January and February registered slight increase, upward trend of interest rates is present. Average weighted interest rate on 3-month treasury bills on the auctions held in January was 7.49%, while the interest rate on the auctions held in February increased by 0.28 percentage points, reaching 7.77%. Weighted interest rate on 6-month treasury bills on auctions held in January was 7.26%, while on the auction held in February, it reached 7.51%, being an increase by 0.25 percentage points. On the auction of 12-month treasury bills held in January, interest rate was 7.00%, keeping the same level as on the previous auction of 12-month treasury bills held in December 2008. In addition to the regular auctions, one extraordinary auction of 3-month treasury bills and one re-opening of the auction of 3-month treasury bills¹ were held, whereby the following weighted interest rates were reached: 7.28% on the extraordinary auction and 7.60% on the re-opening of the auction.

During the analysed period, there were six issues of 3-month treasury bills, two issues of 6-month treasury bills, one issue of 12-month treasury bills and one issue of 2-year government bond. General conclusion is that demand on GS auctions realised in this period was lower compared to the offered amount, i.e. total amount of GS offered on the auctions was Denar 9.95 billion and the demand was Denar 3.92 billion. Bid-to-cover ratio in the past period was 39.36%, being a decline by 24.34 percentage points in relation to the previous period, when bid coverage was 63.7%.

Commercial banks in the Republic of Macedonia continued to have the dominant share in the ownership structure of undue GS. As of the last auction of GS held in February, banks accounted for 57.43%, being a decline by 8.52 percentage points compared to December 2008. In addition, decline of the percentage share in the structure was noticed at pension funds by 0.94 percentage points, insurance companies by 0.63 percentage points, natural persons by 0.2 percentage points, and the savings houses by 0.02 percentage points. Unlike the drop of the percentage share in the ownership structure of undue GS of all investors, there was an increase in the category "Other". In fact, share of the category "Other" surged by 10.14 percentage points.

¹ Auction TB2009/03-91 was re-opened on 21 January 2009.



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

During January - February 2008, there was insignificant trading in government securities (treasury bills and government bonds) on the OTC market, i.e. fourteen transactions with treasury bills were realized. Total nominal amount regarding trading in treasury bills was Denar 243.50 million, with average price of 98.1290 and average yield to maturity of 7.55%. During this period, no transaction in treasury bills was realised on the OTC market.

Structural bonds were traded on the Macedonian Stock Exchange in January, realizing total trading volume of EUR 2.12 million, and total trading turnover² with structural bonds reached EUR 1.81 million or Denar 111.10 million. Average yield to maturity accounted for 7.14%.

Total trading volume of structural bonds in February was EUR 1.90 million and total trading turnover with structural bonds was ERU 1.63 million or Denar 100.21 million. Average yield to maturity accounted for 7.31%.

In February, trading volume of structural bonds dropped by EUR 225 thousand compared to the one in January, and the trading turnover with structural bonds was by EUR 178 thousand lower in relation to the previous month. Average yield to maturity in February increased by 0.17 percentage points compared to January. In February, share of foreign investors on the Macedonian Stock Exchange regarding government bonds (continuous and structural) was 4.34%, which was a decline by 0.06 percentage points compared to the share of foreign investors in January, when it was 4.40%.

1.3 Review of ownership structure of undue structural government bonds regarding denationalisation and old foreign exchange saving as of February 2009 inclusive

As of February 2009 inclusive, overall stock of undue structural government bonds was EUR 264.44 million, EUR 121.82 million out of which referred to structural government bonds for denationalisation (seven issues of denationalisation government bonds), while EUR 142.62 million referred to structural government bonds for the old foreign exchange saving. Total number of holders of undue structural government bonds was 129,286, 6,429 out of which were holders of denationalisation bonds, while 122,857 were holders of bonds for the old foreign exchange saving. In addition, out of the total amount of undue structural bonds, EUR 171.03 million was owned by natural persons, and

² Trading turnover is obtained by multiplying the realised price and the volume (nominal value) of the security.



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EUR 93.40 million was owned by legal entities. Out of the total amount owned by legal entities, EUR 34.10 million or 36.49% was owned by banks, EUR 0.80 million or 1.05% by brokerage houses and the remaining ERU 58.51 million or 62.64% was owned by other legal entities.

Ratio in the ownership structure of undue structural government bonds between natural persons and legal entities in February 2009, compared to December 2008, showed minimal increase in the share of legal entities by 0.65 percentage points compared to the share of natural persons, which dropped by the same percentage points. In February, ration between natural persons and legal entities was 64.68 to 35.32 respectively.



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2 GOVERNMENT SECURITIES MARKET

2.1 Primary market

	Results from the auctions of government securities in January 2009					
	3 month				6 month	12 month
	DZ2009/01-90	DZ2009/02-90*	DZ2009/03-91	DZ2009/03-84**	DZ2009/01-181	DZ2009/01-364
ISIN code	MKMINFDZ9013	MKMINFDZ9V19	MKMINFDZ9021	MKMINFDZ9021	MKMINFDS9012	MKMINFDY9014
Days of maturity	90	90	91	84	181	364
Date of auction	05.01.2009	15.01.2009	20.01.2009	27.01.2009	05.01.2009	39833
Maturity date	08.04.2009	16.04.2009	22.04.2009	22.04.2009	08.07.2009	40198
Max. interest rate	7,60	7,65	7,70	7,80	7,51	7
Min. interest rate	7,29	7,20	7,21	7,40	7,00	7
Average interest rate	7,54	7,28	7,55	7,60	7,26	7
Average price	98,1504	98,2128	98,1268	98,2582	96,4795	93,39
Amount offered for sale	1.000.000.000	1.500.000.000	1.500.000.000	1.500.000.000	400.000.000	400000000
Amount of bids submitted	534.220.000	1.273.320.000	604.230.000	83.110.000	141.520.000	5360000
Amount of bids accepted	534.220.000	915.320.000	592.730.000	73.110.000	138.400.000	5360000
Amount of bids accepted from competitive bids	534.220.000	915.320.000	592.730.000	73.110.000	138.400.000	5360000
Amount of bids accepted from noncompetitive bids	0	0	0	0	0	0
Percent of noncompetitive bids	1	1	1	1	1	1
Bid to cover ratio	1	1,39	1,02	1,14	1,02	1
Submitted bids	17	19	22	8	3	1
Accepted bids	17	12	20	7	2	1
	Results from the auctions of government securities in February 2009					
	3 month		6 month	2 year		
	DZ2009/04-91	DZ2009/05-91	DZ2009/02-182	DO2009/01-0211		
ISIN code	MKMINFDZ9039	MKMINFDZ9047	MKMINFDS9020	MKMINF20G200		
Days of maturity	91	91	182	2		
Date of auction	03.02.2009	17.02.2009	03.02.2009	24.02.2009		
Maturity date	06.05.2009	20.05.2009	05.08.2009	26.02.2011		
Max. interest rate	7,80	8,00	7,60	-		
Min. interest rate	7,29	7,39	7,51	-		
Average interest rate	7,66	7,88	7,51	-		
Average price	98,1004	98,0479	96,3412			
Coupon interest rate	-	-	-	8,50		
Amount offered for sale	1.500.000.000	1.500.000.000	400.000.000	250.000.000		
Amount of bids submitted	457.850.000	734.670.000	71.500.000	10.400.000		
Amount of bids accepted	452.850.000	734.670.000	61.500.000	10.400.000		
Amount of bids accepted from competitive bids	452.850.000	734.670.000	61.500.000	-		
Amount of bids accepted from noncompetitive bids	0	0	0	-		
Percent of noncompetitive bids	1	1	1	1		
Bid to cover ratio	1,01	1,00	1,16	1,00		
Submitted bids	18	11	3	2		
Accepted bids	17	11	2	2		

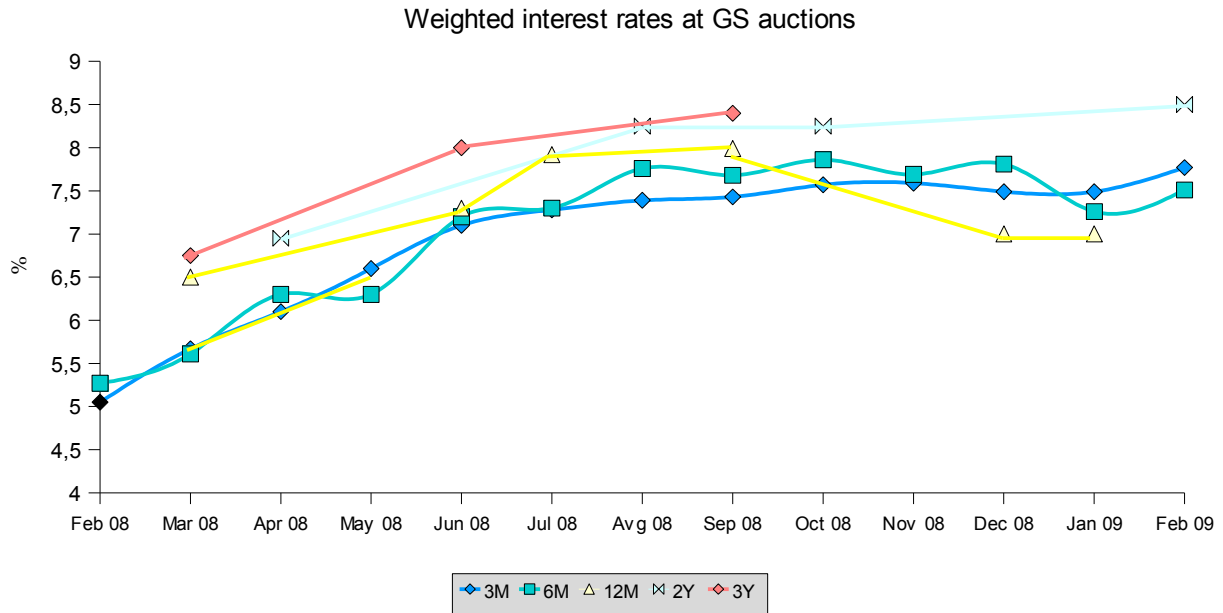
*extraordinary auction of 3-month treasury bills

**re-opening of the auction of 3-month treasury bills DZ2009/03-91

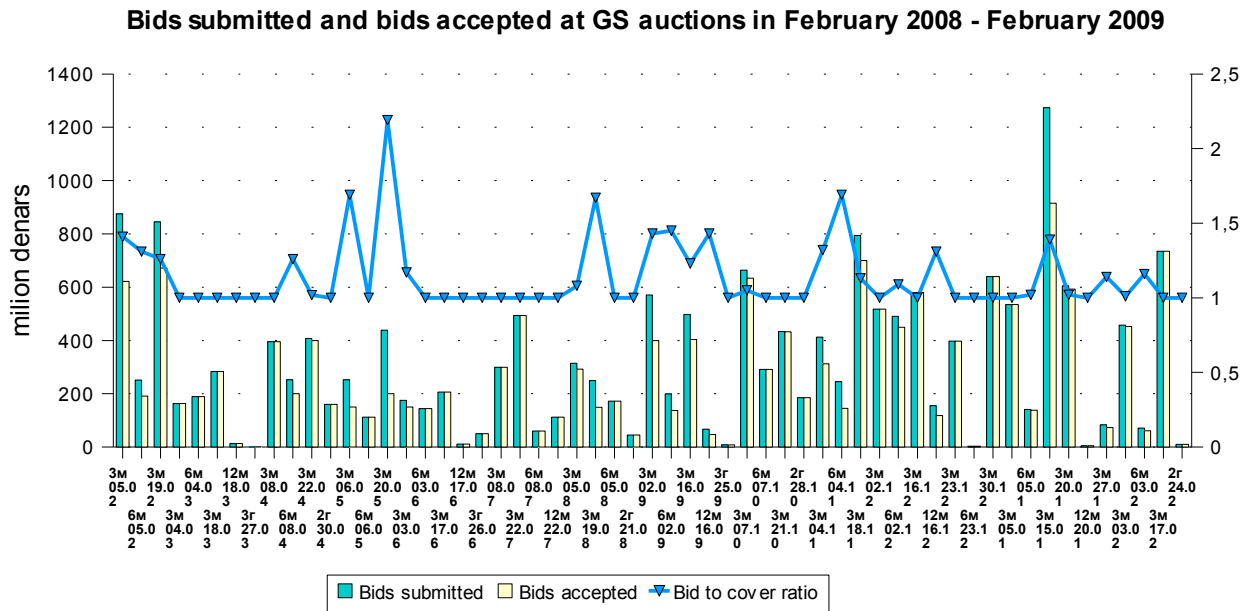
Source: Ministry of Finance



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Source: Ministry of Finance

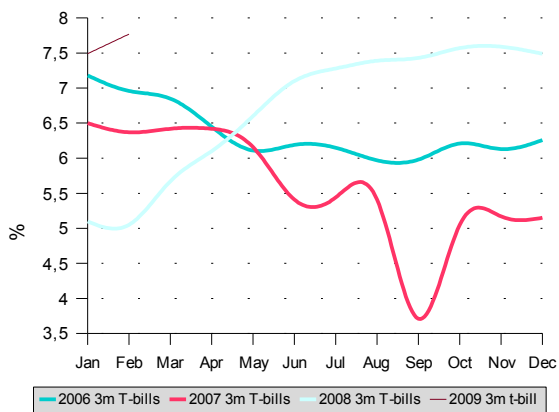


Source: Ministry of Finance

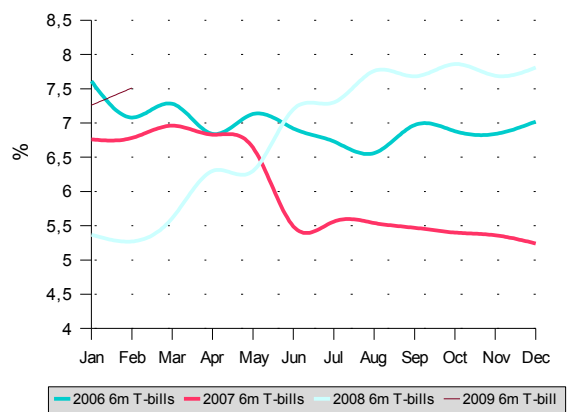


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Interest rates of 3 month T-bills 2006, 2007, 2008 and 2009

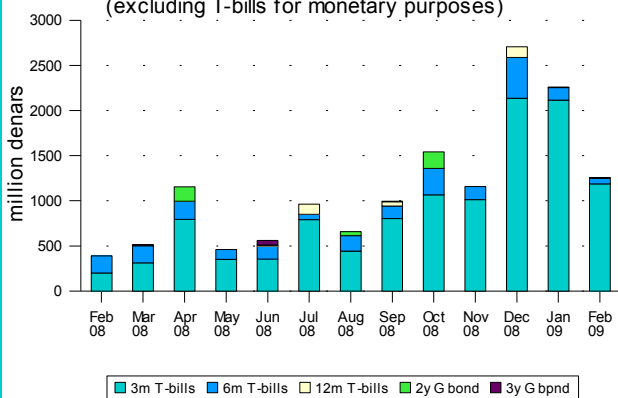


Interest rates of 6 month T-bills 2006, 2007, 2008 and 2009

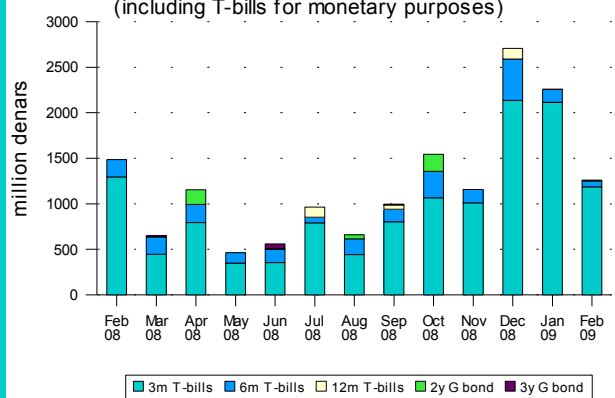


Source: Ministry of Finance

Issuance activity in 2008 and 2009, by month (excluding T-bills for monetary purposes)



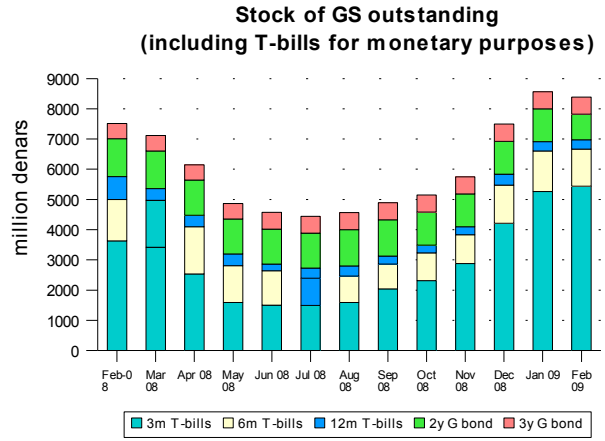
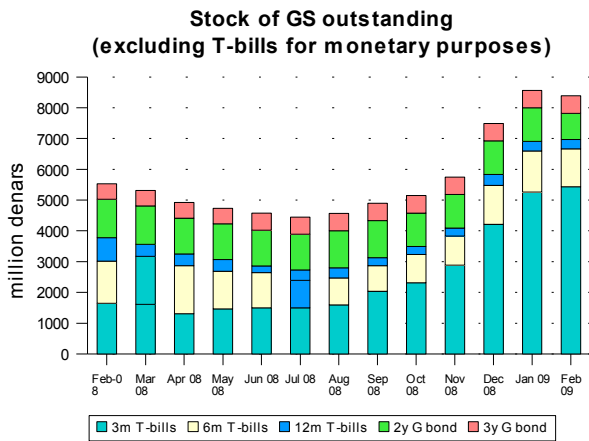
Issuance activity in 2008 and 2009, by month (including T-bills for monetary purposes)



Source: Ministry of Finance

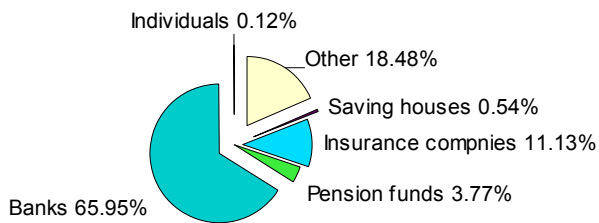


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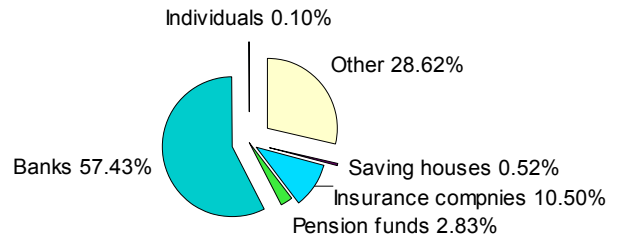


Source: Ministry of Finance

Ownership structure of continuous GS outstanding, December 2008



Ownership structure of continuous GS outstanding, February 2009

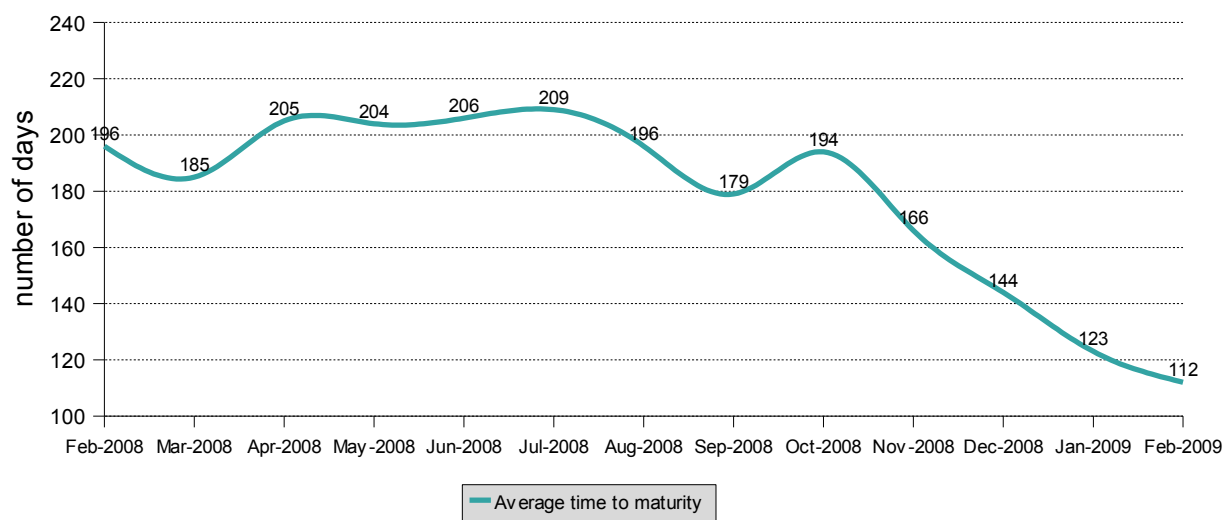


Source: Ministry of Finance



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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			
	31th of December 2008	28th of February 2009	31th of December 2008	28th of February 2009	31th of December 2008	28th of February 2009	31th of December 2008	28th of February 2009
Duration*								
Average days	75,03	55,40	344,68	379,98	424,10	365,03	142,86	111,16
Average years	0,21	0,15	0,94	1,04	1,16	1,00	0,39	0,30

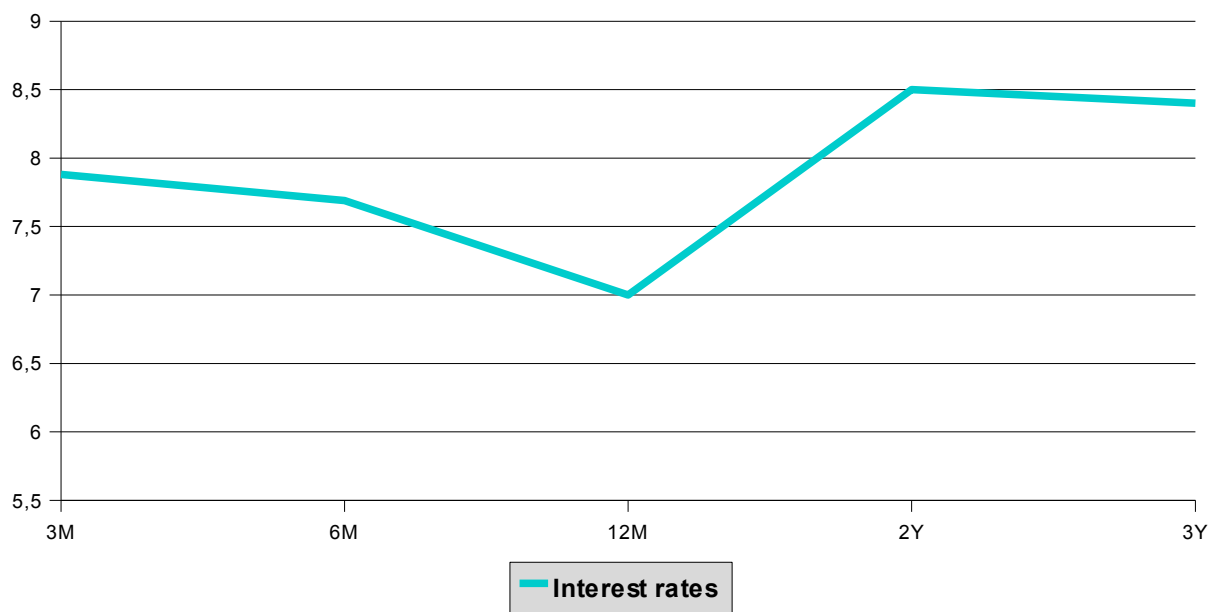
*Duration is an indicator showing the risk of interest rate variations. More precisely, this indicator shows how soon the interest rate changes would affect the debt-related cost, i.e. what is the change in the value of the fixed-income securities resulting from 1% variation in interest rates. When expressed 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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2.2 Secondary market

2.2.1 Macedonian Stock Exchange

OVERVIEW OF TRADING WITH BONDS ON MACEDONIAN STOCK EXCHANGE

November 2008	High (%)	Low (%)	Last daily average price (%)	Last trading day	Volume (NV in EUR)	Turnover (denars)	Turnover (EUR)	Yield to maturity
RM01	93,60	92,10	92,87	29.01.2009	67.065,00	3.834.506,00	62.451,00	7,63%
RMDEN01	91,00	91,00	91,00	05.01.2009	600,00	33.526,00	546,00	7,55%
RMDEN02	89,70	89,00	89,00	30.01.2009	120.660,00	6.607.217,00	107.587,00	7,45%
RMDEN03	87,10	87,00	87,10	29.01.2009	235.304,00	12.572.509,00	204.721,00	7,38%
RMDEN04	85,60	85,00	85,50	29.01.2009	391.173,00	20.539.153,00	334.448,00	7,24%
RMDEN05	85,00	83,10	84,30	30.01.2009	945.135,00	48.816.222,00	794.886,00	7,01%
RMDEN06	85,00	83,00	83,40	28.01.2009	46.788,00	2.430.277,00	39.573,00	6,74%
RMDEN07	85,00	82,30	84,29	30.01.2009	316.478,00	16.271.208,00	264.982,00	6,15%

December 2008	High (%)	Low (%)	Last daily average price (%)	Last trading day	Volume (NV in EUR)	Turnover (denars)	Turnover (EUR)	Yield to maturity
RM01	93,80	92,10	93,40	27.02.2009	110.883,00	6.339.719,00	103.239,00	7,49%
RMDEN02	89,00	87,60	87,60	24.02.2009	553.000,00	30.222.958,00	492.128,00	8,46%
RMDEN03	87,50	87,00	87,00	27.02.2009	12.917,00	691.881,00	11.267,00	7,59%
RMDEN04	85,90	84,50	84,50	26.02.2009	40.663,00	2.138.770,00	34.831,00	7,80%
RMDEN05	84,60	83,80	84,60	25.02.2009	765.036,00	39.413.615,00	641.781,00	7,00%
RMDEN06	85,00	82,40	84,19	27.02.2009	126.636,00	6.516.785,00	106.125,00	6,57%
RMDEN07	84,50	83,00	84,04	27.02.2009	289.288,00	14.890.234,00	242.481,00	6,29%

Source: Macedonian Stock Exchange

FOREIGN INVESTORS ON THE OFFICIAL MARKET

Foreign investors	Feb 2007	Mar 2008	Apr 2008	May 2008	Jun 2008	Jul 2008	Aug 2008	Sep 2008	Oct 2008	Nov 2008	Dec 2008	Jan 2009	Feb 2009
Bonds*	8,38%	8,38%	8,39%	7,87%	7,68%	7,97%	7,35%	7,34%	5,24%	5,10%	4,77%	4,40%	4,35%

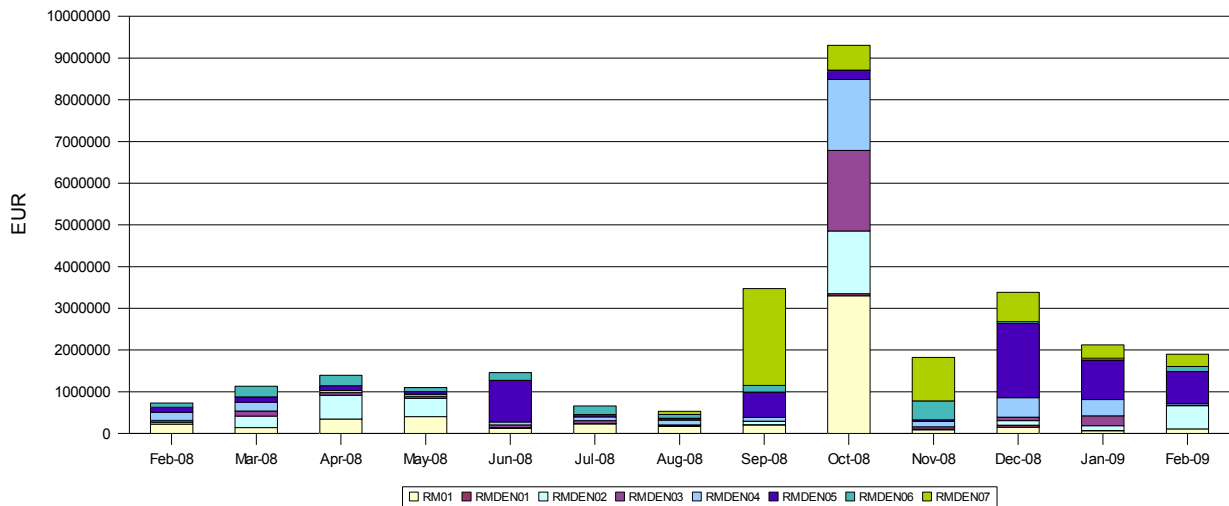
* Data as of end of the month, according to the Central Securities Depository, regarding the participation of the foreign investors in the total nominal value of bonds on the secondary market.

Source: Macedonian Stock Exchange



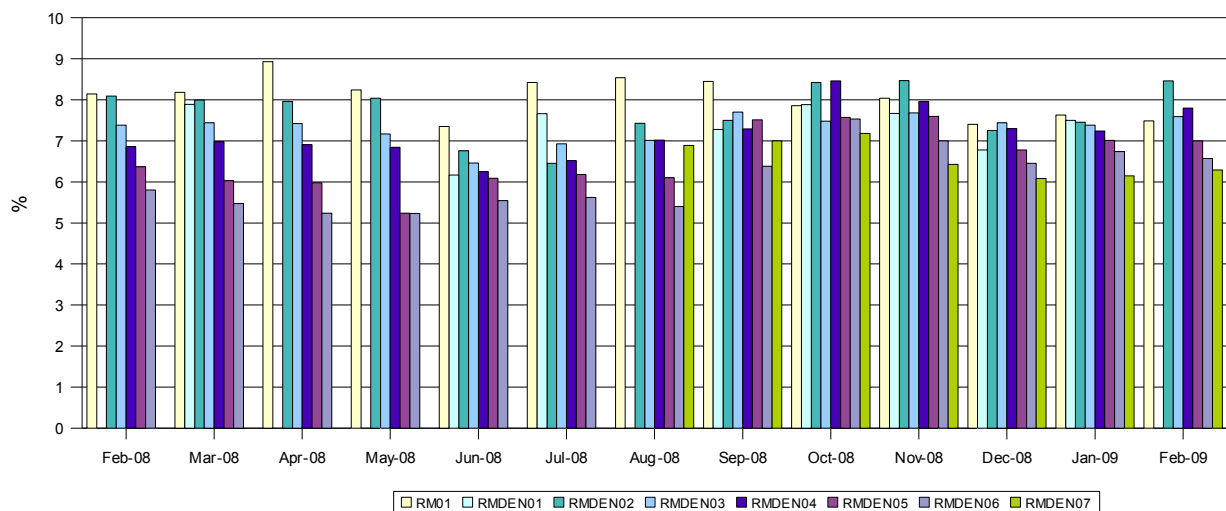
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Amount of trading with Government Securities



Source: Macedonian Stock Exchange

Yield to maturity of Government Securities



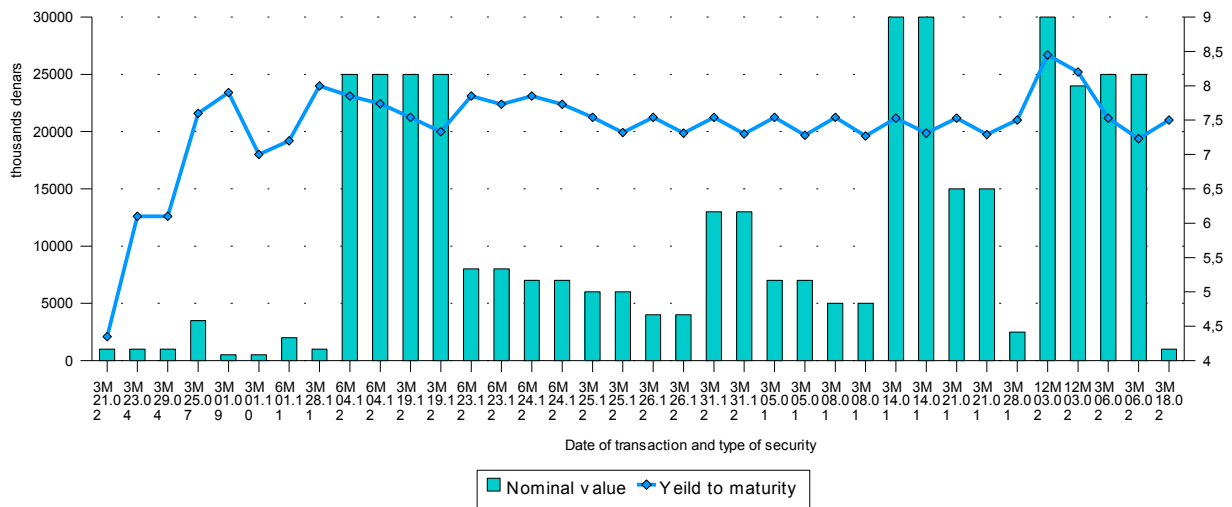
Source: Macedonian Stock Exchange



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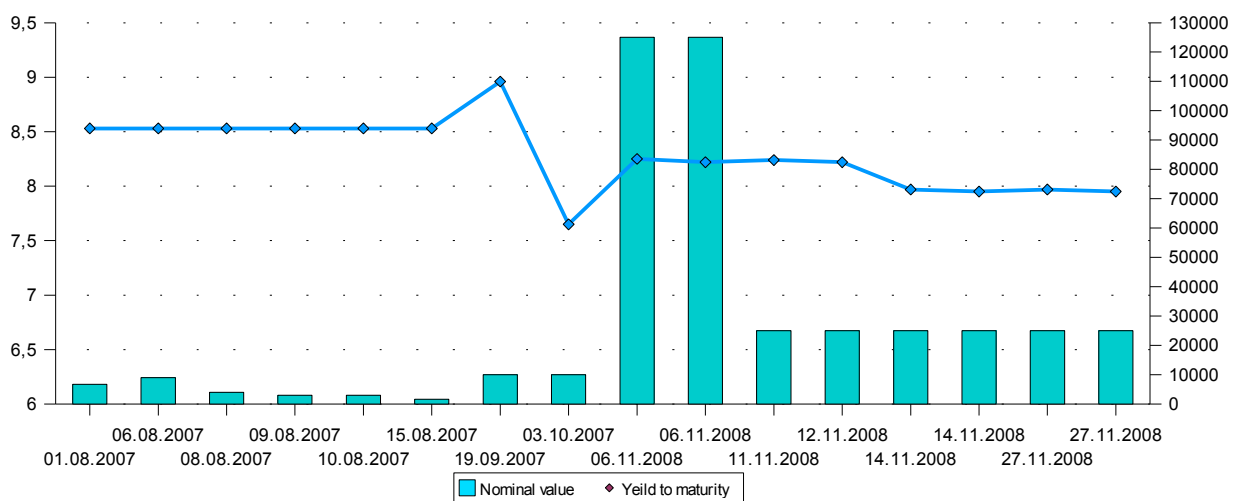
2.2.2 Over the counter

Transactions of T-bills carried out through OTC February 2008 - February 2009



Source: NBRM

Transactions of government bonds carried out through OTC August 2007 - February 2009

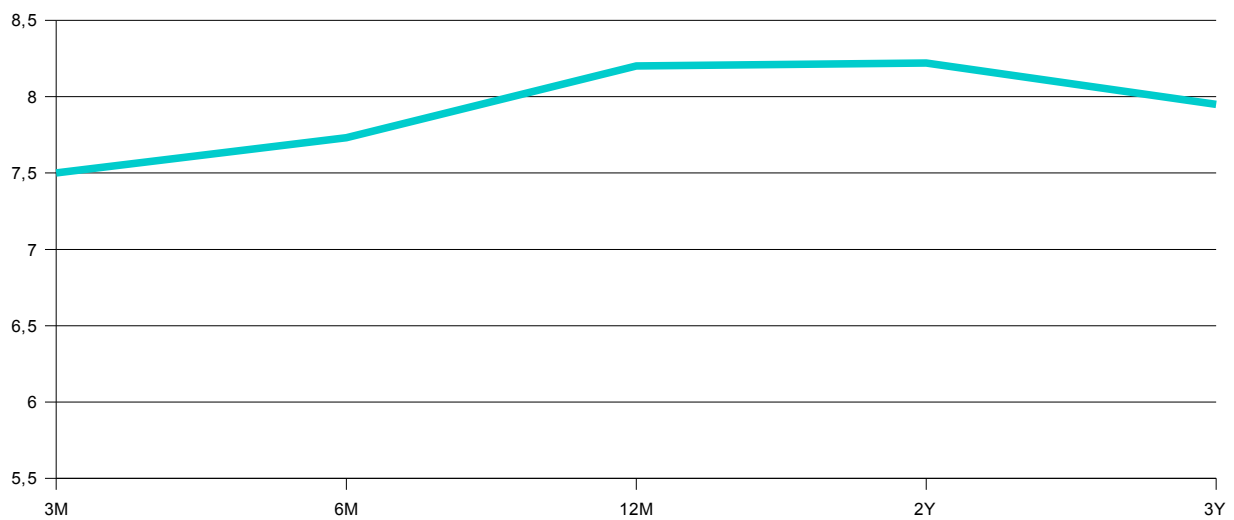


Source: NBRM



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Yield to maturity of GS on secondary market



Source: NBRM



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3 CALENDAR OF AUCTIONS FOR THE FIRST AND SECOND QUARTER IN 2009

Quarter	Month	Auction code	Auction date	Payment date	Maturity date	Maturity (in days years)
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
		DZ2009/03-91	20.01.2009	21.01.2009	22.04.2009	91
		DZ2009/01-364	20.01.2009	21.01.2009	20.01.2010	364
	February	DZ2009/04-91	03.02.2009	04.02.2009	06.05.2009	91
		DZ2009/02-182	03.02.2009	04.02.2009	05.08.2009	182
		DZ2009/05-91	17.02.2009	18.02.2009	20.05.2009	91
		DO2009/01-0211	24.02.2009	26.02.2009	26.02.2011	02
	March	DZ2009/06-91	03.03.2009	04.03.2009	03.06.2009	91
		DZ2009/03-182	03.03.2009	04.03.2009	02.09.2009	182
		DZ2009/07-91	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	30.03.2012	03
	DZ2009/01-364	20.01.2009	21.01.2009	20.01.2010	364	
	II	April	DZ2009/08-91	07.04.2009	08.04.2009	08.07.2009
DZ2009/04-182			07.04.2009	08.04.2009	07.10.2009	182
DZ2009/09-91			21.04.2009	22.04.2009	22.07.2009	91
DO2009/03-0411			28.04.2009	30.04.2009	30.04.2011	02
May		DZ2009/10-91	05.05.2009	06.05.2009	05.08.2009	91
		DZ2009/05-182	05.05.2009	06.05.2009	04.11.2009	182
		DZ2009/11-91	19.05.2009	20.05.2009	19.08.2009	91
		DO2009/04-0512	26.05.2009	28.05.2009	28.05.2012	03
June		DZ2009/12-91	02.06.2009	03.06.2009	02.09.2009	91
		DZ2009/06-182	02.06.2009	03.06.2009	02.12.2009	182
		DZ2009/13-91	16.06.2009	17.06.2009	16.09.2009	91
		DZ2009/03-364	16.06.2009	17.06.2009	16.06.2010	364

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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4 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	For different amounts	0,10%-0,12% (min Denar 500)	0,10%-0,12% (min Denar 500)	Denar 500
12	Stopanska Banka AD Bitola**	Dobrivoe Radosavljeviki 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 Oktovri, 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 th 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 podrska na razvojt 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 podrska na razvojt 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, which is regularly updated after receiving bank notifications.



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

5 CONTACT PERSONS

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