

MINISTRY OF FINANCE OF THE REPUBLIC OF MACEDONIA
Public Debt Management Department

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GOVERNMENT SECURITIES MARKET IN THE REPUBLIC OF MACEDONIA

Contents:

1. EVENTS ON THE FINANCIAL MARKET IN THE PAST PERIOD
 - 1.1. Trends on the financial market in the Republic of Macedonia
 - 1.2. Over-the-counter market
2. GOVERNMENT SECURITIES MARKET
 - 2.1. Primary market
 - 2.2. Secondary market
 - 2.2.1. Macedonian Stock Exchange
 - 2.2.2. Over the counter
3. CALENDAR OF AUCTIONS FOR THE THIRD AND FOURTH QUARTER 2006
4. AUTHORIZED DIRECT PARTICIPANTS (DATA, CONTACTS AND FEES)
5. Contact persons

1. EVENTS ON THE FINANCIAL MARKET IN THE PAST PERIOD

1.1. Trends on the financial market in the Republic of Macedonia

In the past period, interest rates on government securities, being the safest and most liquid instrument, were lower in relation to the corresponding comparative instruments, such as time denar saving deposits in the banking sector.

With respect to the trends of the interest rates, in particular 3-month government securities, one can conclude that, after the drop in the first half of July from 6.34% to 5.96%, in the second half of July and during August, they kept a stable level, ranging between 5.96% - 5.97%, with a tendency to keep such pace in the coming period as well.

The same trend was shown to 6-month government securities where weighted interest rates from 6,92% in June, dropped to 6,73% in July and 6,56% during August.

Still, looking backwards, there was a rapid drop of interest rates in the past 12 months. Weighted interest rate of three-month treasury bills in August 2005 was 10.24%, while on the same auction in 2006, weighted interest rate declined by over 4 percentage points and was 5.97%. Interest rate on 6-month treasury bills in August 2005 was 10.88% and by constant declining during the year, it reached 6.56% in August 2006. Other government securities also show similar trend.

1.2. Over-the-counter market

Rulebook on the Manner and Procedure for Trading and Settlement of Transactions with Securities (Official Gazette of the Republic of Macedonia, no. 71/06), starting 1st July 2006, transparent secondary market for long-term government securities was also created (except bonds for old foreign currency saving and denationalisation bonds). Thus, owners of long-term securities have been enabled to trade with their securities, in addition to the Macedonian Stock Exchange AD Skopje, on the OTC market as well, prior to their maturity.

Additional advantage of this market is that the trading is not burdened with transaction-related costs and settlement of the government securities is done in real time.

Thus, functioning of this segment of the government securities market provoked increased interest at the owners of long-term securities, which could be noted by the larger number of transactions carried out in the period July-August (total of 33), compared with the number of transactions of short term government securities (total of 2). The investors were focused on trading with government bond with ISIN code MKMINF20G028 which yield to maturity on the date of issuance was 9,438. The total amount of trade on the OTC market with this bond was 114 million denars and reached the average yield to maturity of 9.227.

2. GOVERNMENT SECURITIES MARKET

2.1. Primary market

Results from the auctions of treasury bills in July 2006

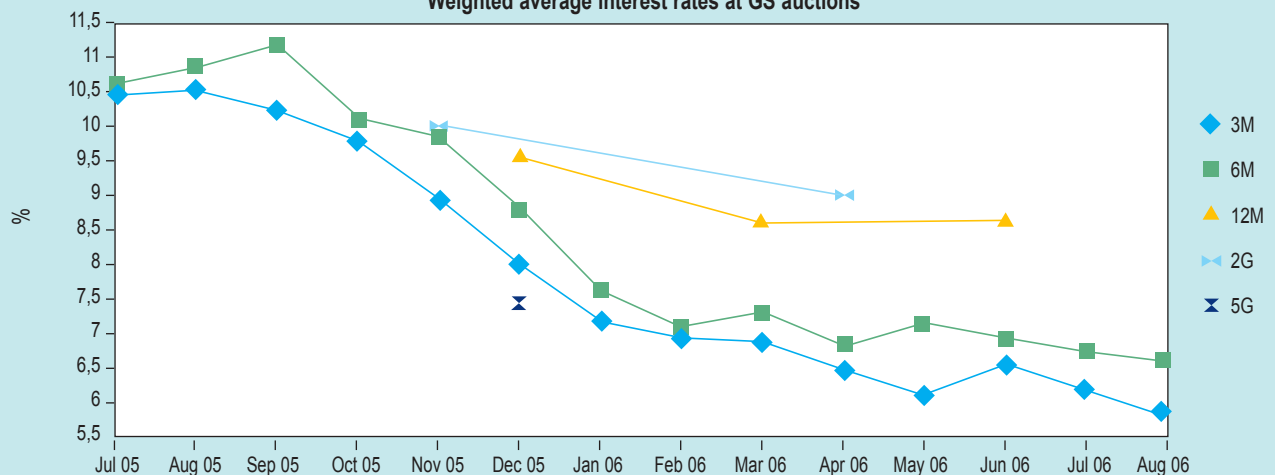
	3 month			6 month
	DZ2006/12-91	DZ2006/13-92	DZ2006/14-91	DZ2006/07-182
ISIN code	MKMINFDZ 6126	MKMINFDZ 6134	MKMINFDZ 6142	MKMINFDS 6075
Days of maturity	76	92	91	182
Date of auction	04.07.2006	11.07.2006	25.07.2006	11.07.2006
Maturity date	20.09.2006	12.10.2006	25.10.2006	10.01.2007
Max. interest rate	6,49	6,98	6,28	6,99
Min. interest rate	5,80	5,50	5,50	6,00
Average interest rate	6,28	6,34	5,96	6,73
Average price	98,6910	98,4065	98,5152	96,7091
Amount offered for sale	730.000.000	1.300.000.000	1.300.000.000	350.000.000
Amount of bids submitted	988.600.000	1.245.030.000	2.025.660.000	537.370.000
Amount of bids accepted	730.000.000	1.245.030.000	1.300.000.000	350.000.000
Bid to cover ratio	1,35	1	1,56	1,54
Submitted bids	32	54	58	17
Accepted bids	20	54	22	12

Results from the auctions of government securities in August 2006

	3 month		6 month
	DZ2006/15-91 MKMINFDZ 6159	DZ2006/16-91 MKMINFDZ 6167	DZ2006/08-182 MKMINFDS 6083
ISIN code	MKMINFDZ 6159	MKMINFDZ 6167	MKMINFDS 6083
Days of maturity	91	91	182
Date of auction	08.08.2006	22.08.2006	08.08.2006
Maturity date	08.11.2006	22.11.2006	07.02.2007
Max. interest rate	6,19	6,50	7,29
Min. interest rate	5,49	5,47	6,00
Average interest rate	5,97	5,96	6,56
Average price	98,5124	98,5148	96,7905
Amount offered for sale	700.000.000	800.000.000	400.000.000
Amount of bids submitted	908.970.000	942.610.000	351.790.000
Amount of bids accepted	700.000.000	800.000.000	351.790.000
Bid to cover ratio	1,3	1,18	1
Submitted bids	44	67	26
Accepted bids	38	61	26

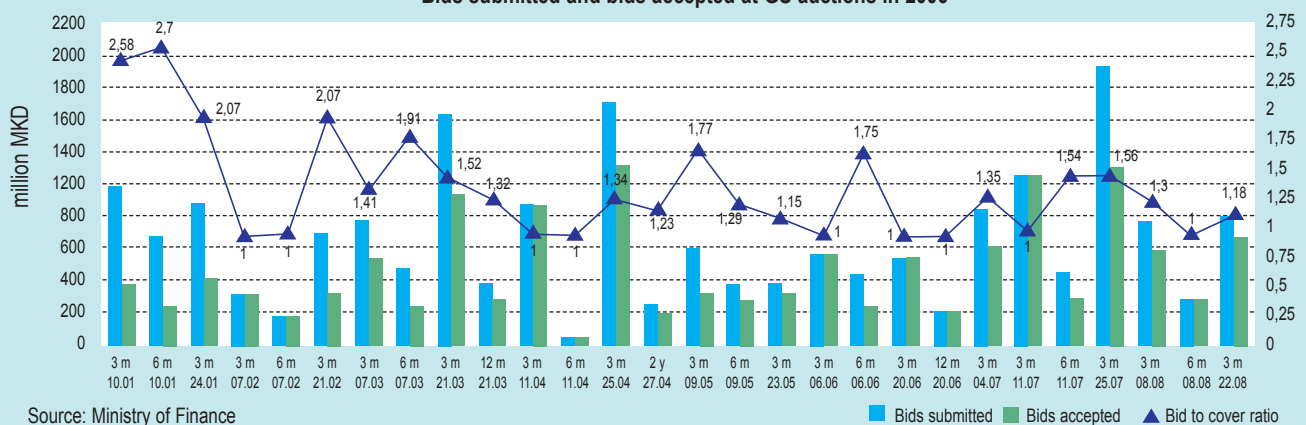
Source: Ministry of Finance

Weighted average interest rates at GS auctions



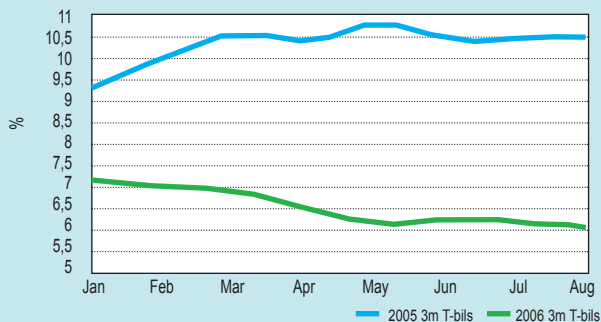
Source: Ministry of Finance

Bids submitted and bids accepted at GS auctions in 2006



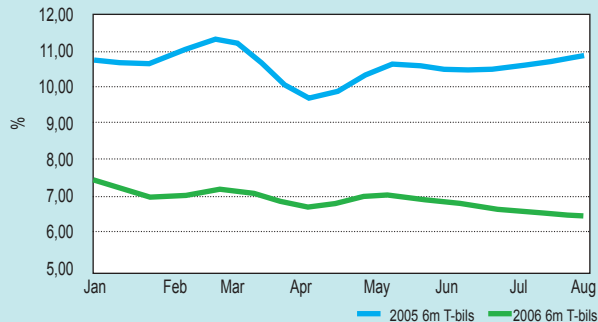
Source: Ministry of Finance

Weighted average interest rates of 3 month T-bills
Jan-Aug 2005 and 2006



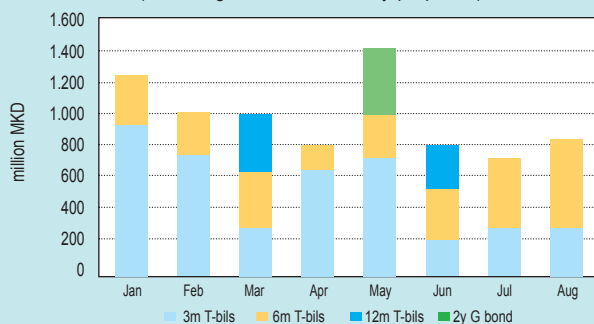
Source: Ministry of Finance

Weighted average interest rates of 6 month T-bills
Jan-Aug 2005 and 2006



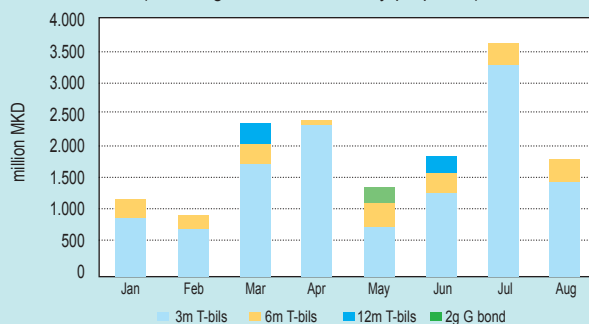
Source: Ministry of Finance

Issuance activity in 2006, by month
(excluding T-bills for monetary purposes)



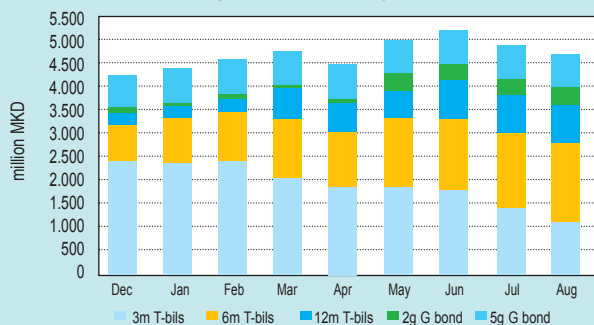
Source: Ministry of Finance

Issuance activity in 2006, by month
(including T-bills for monetary purposes)



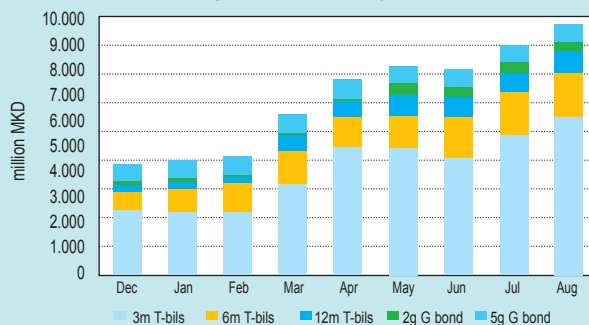
Source: Ministry of Finance

Stock of GS outstanding
(excluding T-bills for monetary purposes)



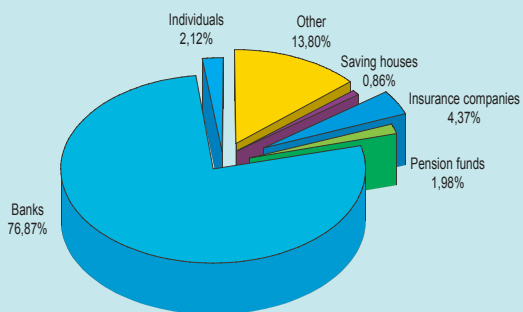
Source: Ministry of Finance

Stock of GS outstanding
(including T-bills for monetary purposes)



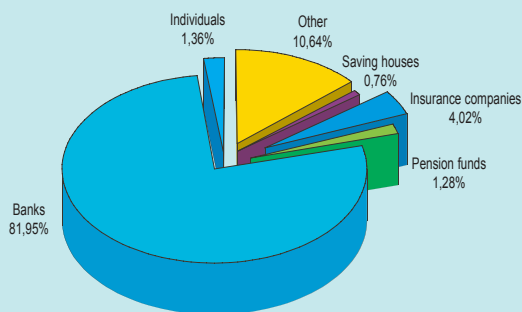
Source: Ministry of Finance

Ownership structure of continuous GS outstanding, June 2006



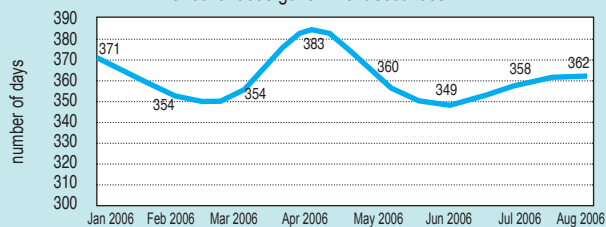
Source: Ministry of Finance

Ownership structure of continuous GS outstanding, August 2006



Source: Ministry of Finance

Average time to maturity (ATM*)
of continuous government securities



Source: Ministry of Finance

— Average time to maturity of GS

* 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.

2.2. Secondary market

2.2.1. Macedonian Stock Exchange

OVERVIEW OF TRADING WITH BONDS ON MACEDONIAN STOCK EXCHANGE

July 2006	High (%)	Low (%)	Last daily average price (%)	Last trading day	Volume (NV in EUR)	Turnover (MKD)	Turnover EUR	Yield to maturity
RM01	87,00	86,30	86,90	31.07.2006	835.463	44.291.687	724.133	7,85
RMDEN01	84,30	83,80	84,30	27.07.2006	1.670	85.835	1.403	7,66
RMDEN02	83,00	82,00	82,30	27.07.2006	45.335	2.288.345	37.411	7,68
RMDEN03	81,00	80,00	80,50	27.07.2006	276.336	13.615.160	222.599	7,66
RMDEN04	80,00	78,80	79,00	31.07.2006	347.011	16.793.900	274.564	7,58
RMDEN05	80,00	78,00	78,79	31.07.2006	672.722	32.371.387	529.245	7,01

August 2006	High (%)	Low (%)	Last daily average price (%)	Last trading day	Volume (NV in EUR)	Turnover (MKD)	Turnover EUR	Yield to maturity
RM01	87,10	86,50	87,10	31.08.2006	1.001.965	53.276.657	870.895	7,95
RMDEN01	83,80	83,80	83,80	14.08.2006	675	34.598	566	8,03
RMDEN02	83,00	82,20	83,00	29.08.2006	86.182	4.343.246	71.004	7,55
RMDEN03	81,20	80,30	81,20	31.08.2006	328.024	16.245.020	265.542	7,54
RMDEN04	79,90	79,00	79,60	31.08.2006	805.402	39.168.397	640.301	7,49
RMDEN05	79,80	77,50	78,86	31.08.2006	631.379	30.323.402	495.737	7,08

Source: Macedonian Stock exchange

FOREIGN INVESTORS ON THE OFFICIAL MARKET

Foreign investors	Jan 2006	Feb 2006	Mar 2006	Apr 2006	May 2006	Jun 2006	Jul 2006	Aug 2006
Bonds *	11,28%	11,48%	11,22%	11,65%	11,70%	10,44%	10,46%	10,51%

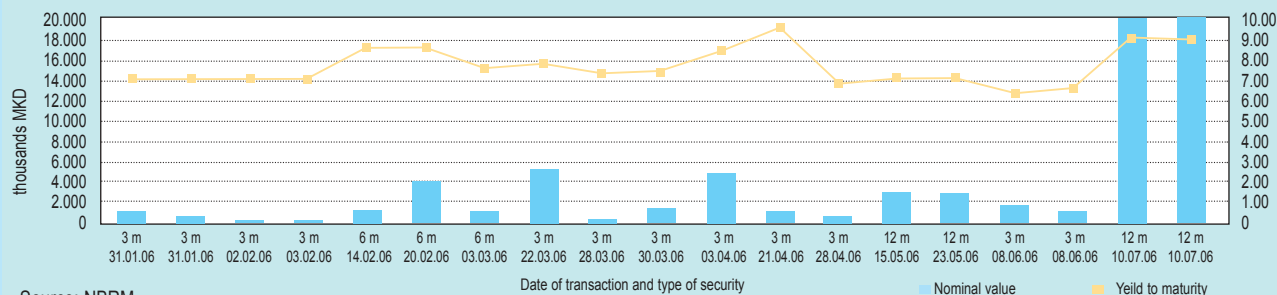
* Data as of end of the month, according to the Central Securities Depository, regarding the participation of the foreign investors in the total nominal value of bonds on the secondary market.

	Government bonds							
	Treasury bills		2 years		5 years		Total	
Duration*	30 of Jun 2006	31 of Aug 2006	30 of Jun 2006	31 of Aug 2006	30 of Jun 2006	31 of Aug 2006	30 of Jun 2006	31 of Aug 2006
Average days	99,89	104,52	595,67	533,62	1.505,73	1.443,73	296,64	309,78
Average years	0,27	0,29	1,63	1,46	4,13	3,96	0,81	0,85

* 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.

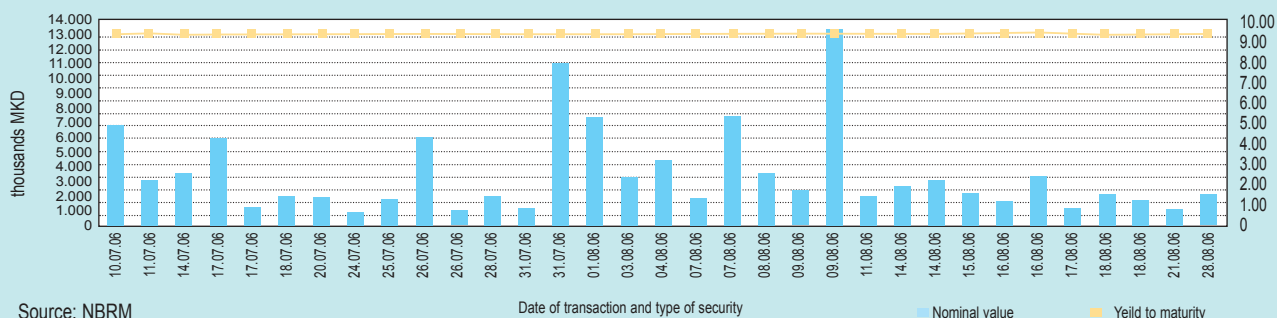
PUBLIC DEBT MANAGEMENT DEPARTMENT

Transactions of T-bills carried out through OTC



Source: NBRM

Transactions of government bonds carried out through OTC



Source: NBRM

3. CALENDAR OF AUCTIONS FOR THE THIRD AND FOURTH QUARTER 2006

Quarter	Month	Auction code	Auction date	Payment date	Maturity date	Maturity (in days/years)
III	July	DZ2006/13-92	11/07/06	12/07/06	12/10/06	92
		DZ2006/07-182	11/07/06	12/07/06	10/01/07	182
		DZ2006/14-91	25/07/06	26/07/06	25/10/06	91
	August	DZ2006/15-91	08/08/06	09/08/06	08/11/06	91
		DZ2006/08-182	08/08/06	09/08/06	07/02/07	182
		DZ2006/16-91	22/08/06	23/08/06	22/11/06	91
	September	DZ2006/17-91	05/09/06	06/09/06	06/12/06	91
		DZ2006/09-182	05/09/06	06/09/06	07/03/07	182
		DZ2006/18-91	19/09/06	20/09/06	20/12/06	91
DZ2006/03-364		19/09/06	20/09/06	19/09/07	364	
IV	October	DZ2006/19-90	10/10/06	12/10/06	10/01/07	90
		DZ2006/10-181	10/10/06	12/10/06	11/04/07	181
		DZ2006/20-91	24/10/06	25/10/06	24/01/07	91
		DO2006/02-1008	26/10/06	30/10/06	30/10/08	02
	November	DZ2006/21-91	07/11/06	08/11/06	07/02/07	91
		DZ2006/11-182	07/11/06	08/11/06	09/05/07	182
		DZ2006/22-91	21/11/06	22/11/06	21/02/07	91
		DO2006/03-1109	23/11/06	27/11/06	27/11/09	03
December	DZ2006/23-91	05/12/06	06/12/06	07/03/07	91	
	DZ2006/12-182	05/12/06	06/12/06	06/06/07	182	
	DZ2006/24-91	19/12/06	20/12/06	21/03/07	91	
	DZ2006/04-364	19/12/06	20/12/06	19/12/07	364	

Source: Ministry of Finance

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
Alfa banka AD Skopje	Dame Gruev 1	3116-830 3135-206	3116-433	Any amount	0,10% (min. 150 MKD)	0,10% (min. 150 MKD)	
Eurostandard banka AD Skopje	Vasil Glavinov 12/2	3224-095	3228-444	Any amount	0,12% (min. 300 MKD)	0,12% (min. 300 MKD)	300 MKD
Investbanka AD Skopje	Makedonija 9/11	3135-367	3114-166				
Investbanka AD Skopje (for 3-month treasury bills)				10,000-50,000 MKD 60,000-100,000 MKD 110,000-500,000 MKD 510,000-1,000,000 MKD 1,010,000-5,000,000 MKD 5,010,000-10,000,000 MKD exceeding MKD 10,010,000	200 MKD fixed 500 MKD fixed 1,000 MKD fixed 1,500 MKD fixed 0,14% (min. 1,500 MKD) 0,12% (min.7,000 MKD) 0,10% (min. 12,000 MKD)		
Investbanka AD Skopje (for 6-month treasury bills)				10,000-50,000 MKD 60,000-100,000 MKD 110,000-500,000 MKD 510,000-1,000,000 MKD 1,010,000-5,000,000 MKD 5,010,000-10,000,000 MKD exceeding MKD 10,010,000	300 MKD fixed 700 MKD fixed 1,300 MKD fixed 2,000 MKD fixed 0,16% (min. 2,000 MKD) 0,14% (min. 8,000 MKD) 0,12% (min. 14,000 MKD)		
Investbanka AD Skopje (government bonds)				10,000-50,000 MKD 60,000-100,000 MKD 110,000-500,000MKD 510,000-1,000,000 MKD 1,010,000-5,000,000 MKD 5,010,000-10,000,000 MKD exceeding MKD 10,010,000		500 MKD fixed 1,000 MKD fixed 1,300 MKD fixed 2,000 MKD fixed 0,17% (min. 2,500 MKD) 0,15% (min. 7,500 MKD) 0,13% (min. 15,000 MKD)	
Internacionalna privatna banka AD Skopje	27 mart 1	3112-830 3134-060	3119-191 3124-288	Up to MKD 200,000 exceeding MKD 200,000	200 MKD fixed 0,10%	0,10% (min. 200 MKD)	200 MKD
Izvozna i kreditna banka AD Skopje	Partizanski odredi, 3 blok 11	3122-393	3122-207	Any value	0,12%	0,12%	MKD 300 and MKD 500 for GB
Komercijalna banka AD Skopje	Dimitar Vlahov 4	3113-494	3107-107 3111-133	Any amount	0,12% (min.300 MKD)	0,12% (min. 300 MKD)	300 MKD
Komercijalna investiciona banka AD Kumanovo	Plostad Nova Jugoslavija b.b	031/420-061	031/475-100 031/426-455	Any amount	0,12% (min.200 MKD)	0,15% (min.300 MKD)	MKD 200 for TB MKD 300 for GB
Makedonska banka AD Skopje	Bul. VMRO, 3-12/2	3117-191	3117-111	Up to MKD 730,000 730,000-27,270,000 exceeding MKD 27,270,000	800 MKD fixed 0,11% 30,000 MKD fixed		
Ohridska banka AD Ohrid	Makedonski prosvetitelji 19	046/254-130 046/254-133	046/206-600 046/265-330	Any value	0,10%	0,10% (minimum 100 MKD)	MKD 100 for GB
Postenska banka AD Skopje	Marks Engels 3	3220-389 3163-054	3112-862 3163-354	Does not work with clients			
ProKredit banka AD Skopje	Bul. Jane Sandanski 109/a	3219-901	3219-900 3219-948	Any amount	0,12% (min.300 MKD)	0,12% (min.300 MKD)	
Sileks banka AD Skopje	Gradski zid, blok 9. lokal 5	3114-891 3224-844	3115-288 3115-880	Any amount	500 MKD fixed	0,12% (min. 500 MKD)	500 MKD
Stopanska banka AD Bitola**	Dobriveo Radosavljevic 21	047/207-515 047/207-541	047/207-500 047/207-513	Any amount	0,1% (min.200 MKD)	0,2%	MKD 200 for TB
Stopanska banka AD Skopje	11 Oktomvri 7	3114-503	3295-295	10,000 MKD 20,000-50,000 MKD 60,000-500,000 MKD exceeding MKD 500,000	250 MKD fixed 350 MKD fixed 500 MKD fixed 0,12%	250 MKD fixed 350 MKD fixed 1250 MKD fixed 0,25%	250 MKD

Stopanska Banka AD Skopje (for 3-month treasury bills)				MKD 10,000 MKD 20,000-50,000 MKD 60,000-500,000 Exceeding MKD 500,000	MKD 250 fixed MKD 350 fixed MKD 500 fixed 0,12%		MKD 250
Stopanska Banka AD Skopje (for 6-month treasury bills)				MKD 10,000 MKD 20,000-50,000 MKD 60,000-500,000 Exceeding MKD 500,000	MKD 250 fixed MKD 350 fixed MKD 1000 fixed 0,20%		MKD 250
Stopanska Banka AD Skopje (for 12-month treasury bills)				MKD 10,000 MKD 20,000-50,000 MKD 60,000-500,000 Exceeding MKD 500,000	MKD 250 fixed MKD 350 fixed MKD 1250 fixed 0,25%		MKD 250
Stopanska Banka AD Skopje (government bonds)				MKD 10,000 MKD 20,000-50,000 MKD 60,000-500,000 Exceeding MKD 500,000		MKD 250 fixed MKD 350 fixed MKD 1250 fixed 0,25%	MKD 250
TTK banka AD Skopje	Naroden front 19/a	3236-444	3236-400				
NPB Tutunska banka AD Skopje	12-ta Udarna brigada, b.b	3105-630 3105-681	3105-601 3105-606	Any amount	0,12% (min. 300 MKD)	0,12%	300 MKD
Makedonska banka za podrška na razvojot AD Skopje	Veljko Vlahovic 26	3239-688	3114-840 3115-844				
Univerzalna investiciona banka AD Skopje	Maksim Gorki 6	3286-000 3130-448	3286-100	Any amount	0,12%	0,12%	
T.G Ziraat bankasi-branch Skopje***	Zeleznicka 8	3110-013	3111-337	Any amount	0,10% (min.15 EUR maximum 400 EUR)	0,10% (min.15 EUR maximum 400 EUR)	

*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.

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.

5. CONTACT PERSONS

Name:	Position	Phone	E-mail
Maja Parnargieva	Head of Public Debt Management Department	02 3106 396	Maja.Parnargieva@finance.gov.mk
Ana Stojkova	Head of Front Office	02 3106 293	Ana.Stojkova@finance.gov.mk
Sanja Manasijevik Manceva	Front Office	02 3106 171	Sanja.Manasijevic@finance.gov.mk
Darko Blazevski	Front Office	02 3106 171	Darko.Blazevski@finance.gov.mk
Dejan Nikolovski	Front Office	02 3106 381	Dejan.Nikolovski@finance.gov.mk