



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

PUBLICATION No. 04
September - October 2006

GOVERNMENT SECURITIES MARKET IN THE REPUBLIC OF MACEDONIA

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November, 2006



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Public Debt Management Department*

1 EVENTS ON THE FINANCIAL MARKET IN THE PAST PERIOD

1.1 Trends on the financial market in the Republic of Macedonia

On 26th October 2006, Ministry of Finance issued 2-year government bond, second in the course of this year. Amount of Denar 300 million was offered at the auction, and the demand therefore was Denar 552 million. Obtained weighted yield of 9.331% declined in relation to the auction of the 2-year government bond held at the end of April, when it amounted to 9.438%. Banks participated with 70% in the ownership structure, while the non-banking entities accounted for the remaining part. In addition, share of the foreign investors of 8% was also significant in the realized part of the auction.

According to the 2006 Calendar of auctions of government securities, as a result of the large interest in purchasing government securities, on 23rd November 2006 Ministry of Finance will issue three-year government bond for the first time.

Regarding the trend of interest rates on government securities in the past two months, they recorded an upward trend. This is especially noticeable at 3-month government securities, which, following the continuous decline by end-August reaching 5.96%, increased by 5.99% at the beginning of September, reaching 6.32% at end-November.

Similar trends of interest rates were noticed at 6-month government securities, with the only difference that following the increase from 6.56% in August to 6.97% in September, interest rate at the auction held in October declined, reaching the level of 6.88%. On the other hand, interest rates on 12-month government securities kept the same level as on the previous auction, i.e. 8.66%.

Comparative analysis of the trends in the interest rates on government securities in 2005 and 2006 suggests a trend of significant decline. Weighted interest rate of the three-month treasury bills in October 2005 was 9.80%, while on the same auction in 2006, weighted interest rate declined by over 3.5 percentage points and was 6.27%. Interest rate on six-month treasury bills in October 2005 was 10.08%, constantly declining during the year, it reached 6.88% in October 2006. The trend is more or less similar at the other government securities.

1.2 Presentations at the government securities market

According to the set strategy for development of government securities market, in the period 16th – 18th October 2006, Ministry of Finance carried out presentations on the functioning of the government securities market in the Republic of Macedonia. Presentations were educational, providing information for the broader public to get familiar



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with the novelties introduced on the government securities market in the past period.

Representatives from 200 legal entities (companies, saving houses, insurance companies and marketing agencies) in the Republic of Macedonia were invited at the presentations. Attendance at the presentation was satisfactory, and great interest was shown in the government securities market in the Republic of Macedonia, being confirmed with their vast knowledge in the functioning of this market and their so-far participation in the government securities auctions. Presentations held in this period were continuation of the practice the Ministry of Finance commenced one year ago, and they are aimed at deepening the government securities market and extending the investor base.

Presentations on the government securities market were opened by the Minister of Finance, Mr. Trajko Slaveski Ph.D. and Deputy Minister of Finance, Mr. Predrag Trpeski M.A., who presented to the participants with the current situation on the government securities market, as well as the future activities envisaged to be introduced on the government securities market.



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2 GOVERNMENT SECURITIES MARKET

2.1 Primary market

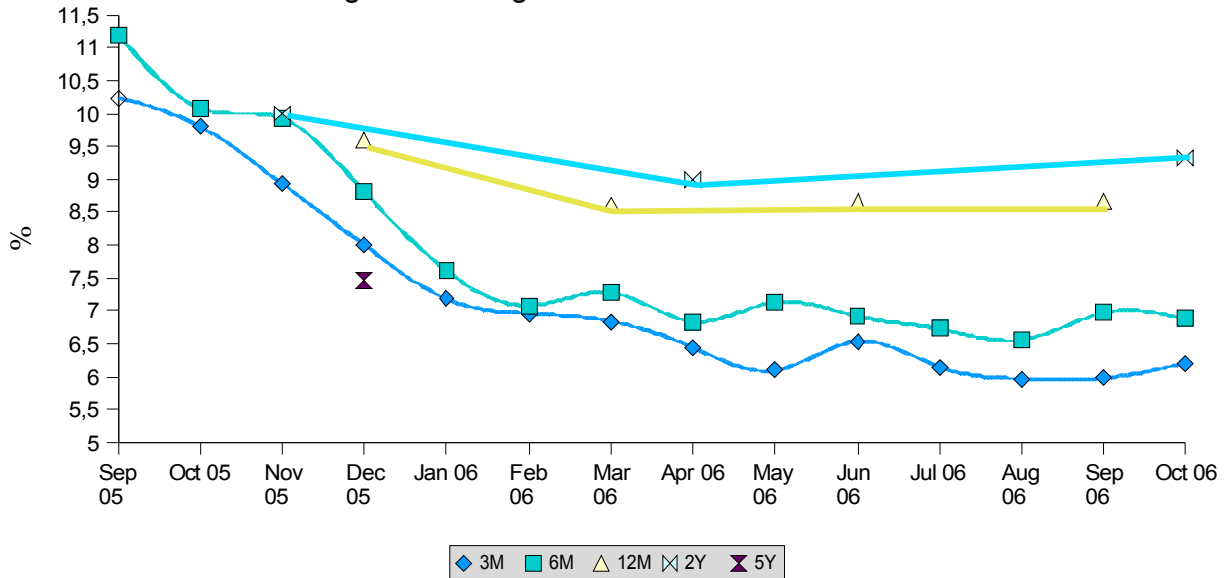
Results from the auctions of government securities in September 2006					
	3 month		6 month	12 month	
	DZ2006/17-91	DZ2006/18-91	DZ2006/09-182	DZ2006/03-364	
<i>ISIN code</i>	MKMINFDZ6175	MKMINFDZ6183	MKMINFDS6091	MKMINFDY6036	
<i>Days of maturity</i>	91	91	182	364	
<i>Date of auction</i>	05.09.2006	19.09.2006	05.09.2006	19.09.2006	
<i>Maturity date</i>	06.12.2006	20.12.2006	07.03.2007	19.09.2007	
<i>Max. interest rate</i>	6,30	6,49	7,28	9,00	
<i>Min. interest rate</i>	5,50	5,50	6,00	8,23	
<i>Average interest rate</i>	5,99	5,96	6,97	8,66	
<i>Average price</i>	98,5089	98,5161	96,5974	91,9495	
<i>Amount offered for sale</i>	1.070.000.000	1.950.000.000	400.000.000	300.000.000	
<i>Amount of bids submitted</i>	1.507.620.000	1.012.650.000	287.520.000	300.840.000	
<i>Amount of bids accepted</i>	1.070.000.000	1.012.650.000	287.520.000	300.000.000	
<i>Bid to cover ratio</i>	1,41	1	1	1	
<i>Submitted bids</i>	65	54	16	25	
<i>Accepted bids</i>	50	54	16	25	
Results from the auctions of government securities in October 2006					
	3 month		6 month	2 year	
	DZ2006/18-77	DZ2006/19-90	DZ2006/20-91	DZ2006/10-181	DO2006/02-1008
<i>ISIN code</i>	MKMINFDZ6183	MKMINFDZ6191	MKMINFDZ6209	MKMINFDS6109	MKMINF20G036
<i>Days of maturity</i>	77	90	91	181	2
<i>Date of auction</i>	03.10.2006	10.10.2006	24.10.2006	10.10.2006	26.10.2006
<i>Maturity date</i>	20.12.2006	10.01.2007	24.01.2007	11.04.2007	30.10.2008
<i>Max. interest rate</i>	6,37	6,70	6,48	7,29	9,481
<i>Min. interest rate</i>	5,67	5,50	5,50	6,00	9,000
<i>Average interest rate</i>	6,11	6,22	6,31	6,88	9,331
<i>Average price</i>	98,7108	98,4692	98,4303	96,6546	99,420
<i>Amount offered for sale</i>	600.000.000	1.745.000.000	1.350.000.000	350.000.000	300.000.000
<i>Amount of bids submitted</i>	922.500.000	1.221.200.000	1.482.360.000	536.600.000	552.550.000
<i>Amount of bids accepted</i>	600.000.000	1.221.200.000	1.350.010.000	350.000.000	300.000.000
<i>Bid to cover ratio</i>	1,54	1	1,1	1,53	1,84
<i>Submitted bids</i>	25	48	45	17	38
<i>Accepted bids</i>	15	48	32	17	33

Source Ministry of Finance



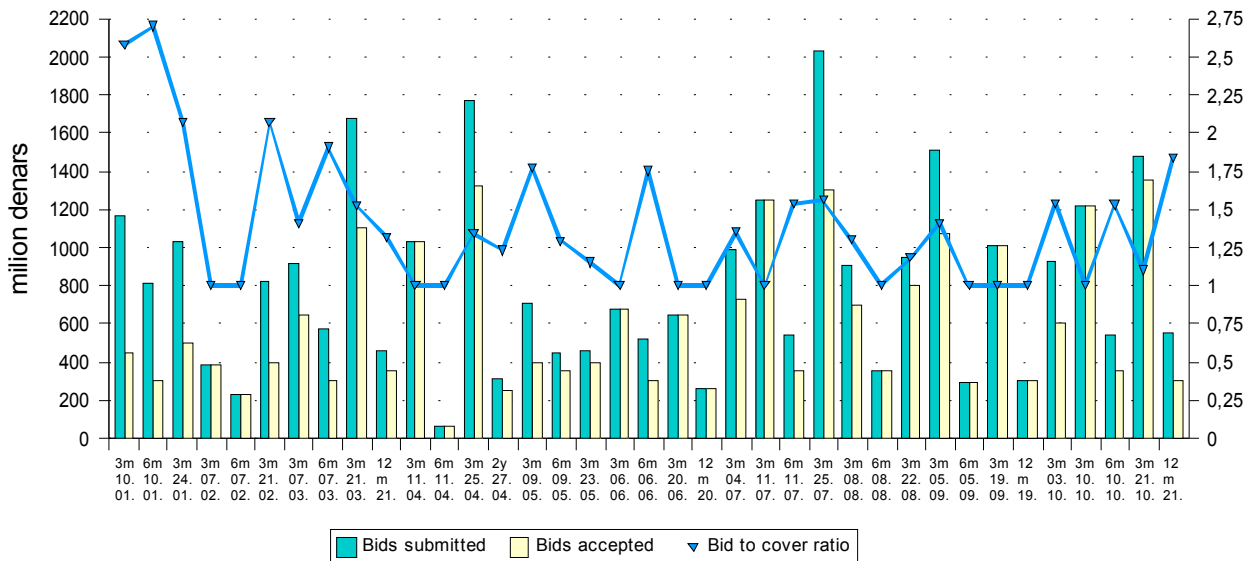
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Weighted average interest rates at GS auctions



Source Ministry of Finance

Bids submitted and bids accepted at GS auctions in 2006

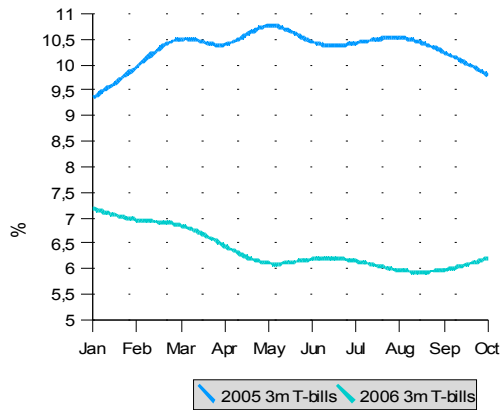


Source Ministry of Finance

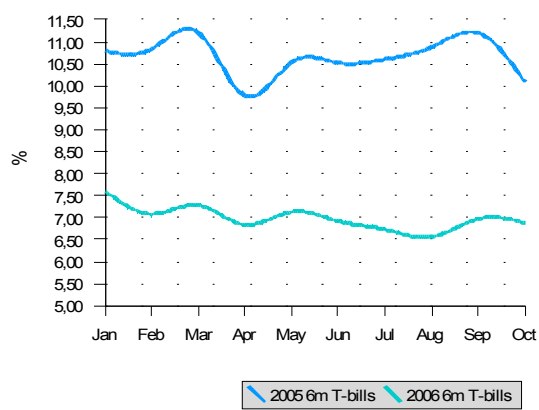


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Weighted average interest rates of 3 month T-bills Jan-Oct 2005 and 2006

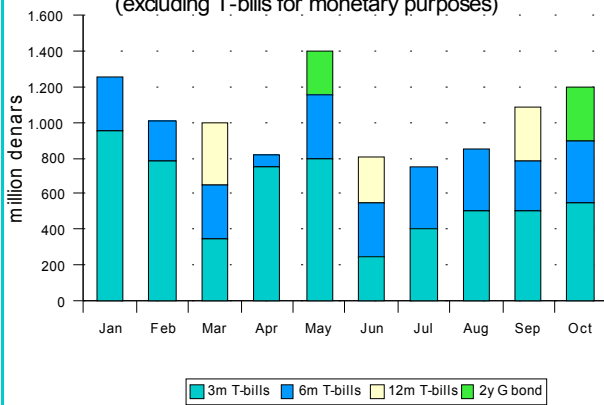


Weighted average interest rates of 6 month T-bills Jan-Oct 2005 and 2006

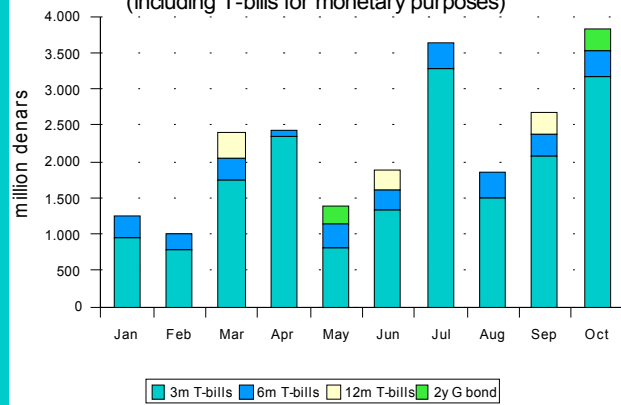


Source Ministry of Finance

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



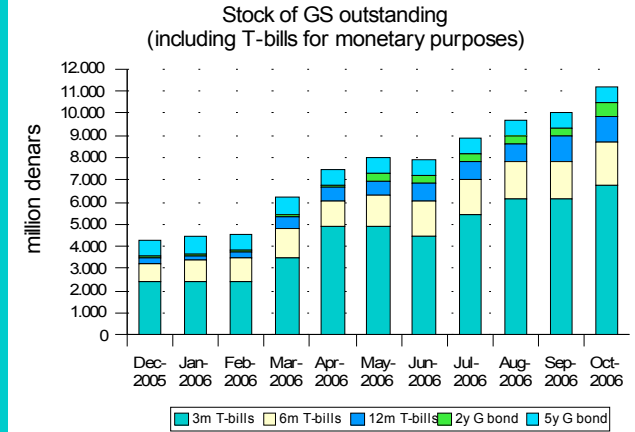
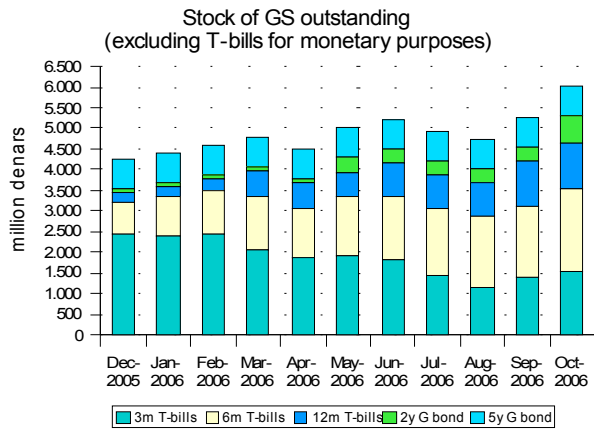
Issuance activity in 2006, by month (including T-bills for monetary purposes)



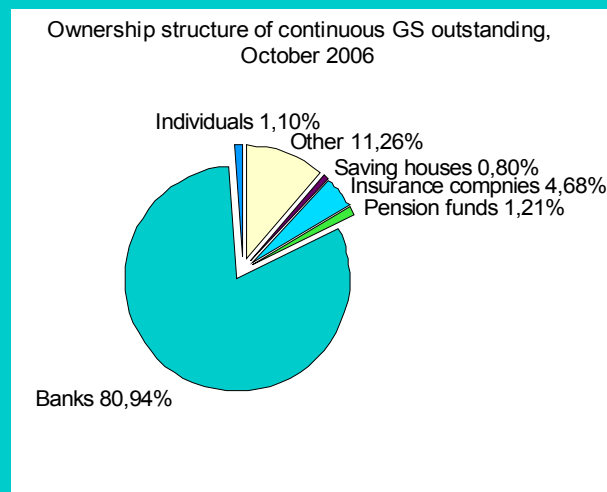
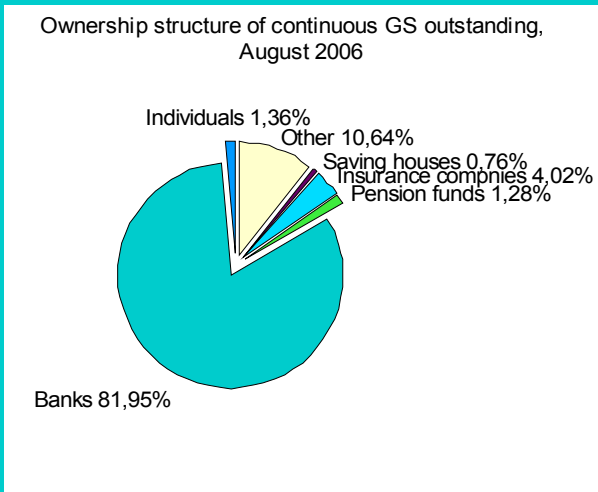
Source Ministry of Finance



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Source Ministry of Finance

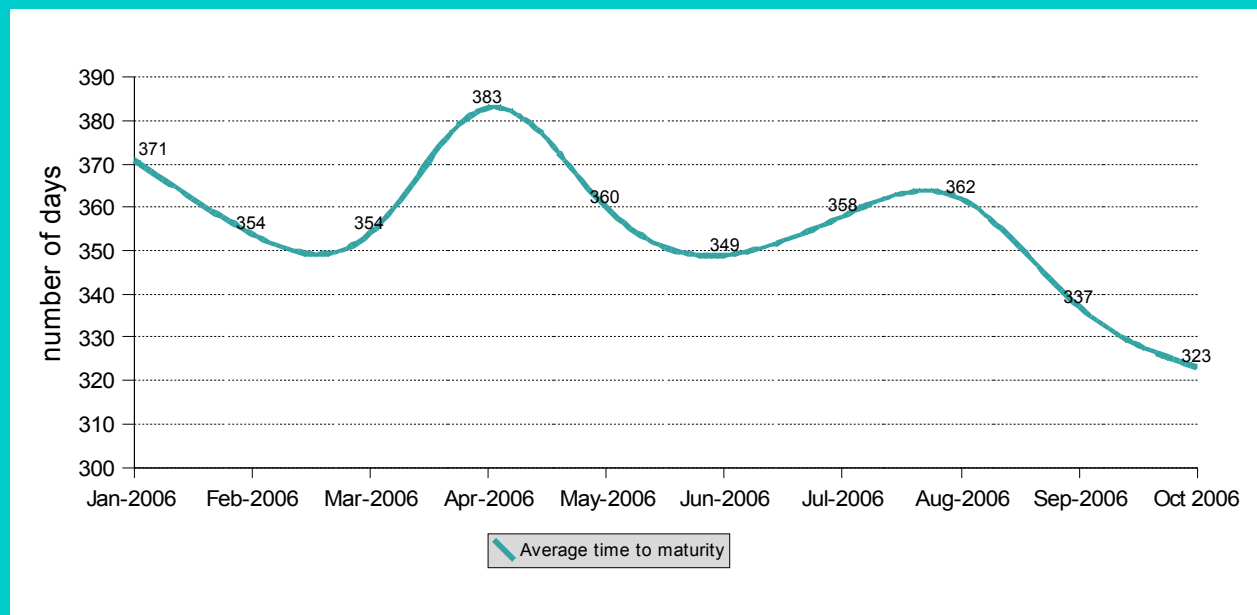


Source Ministry of Finance



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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	
	31 st of August 2006	31 st of October 2006	2 years		5 years		31 st of August 2006	31 st of October 2006
Duration*			31 st of August 2006	31 st of October 2006	31 st of August 2006	31 st of October 2006		
Average days	104,52	96,43	533,62	574,29	1.345,71	1.284,71	335,20	300,64
Average years	0,29	0,26	1,46	1,57	3,69	3,52	0,92	0,82

*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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2.2 Secondary market

2.2.1 Macedonian Stock Exchange

OVERVIEW OF TRADING WITH BONDS ON MACEDONIAN STOCK EXCHANGE

September 2006	High (%)	Low (%)	Last daily average price (%)	Last trading day	Volume (NV in EUR)	Turnover (denars)	Turnover (EUR)	Yield to maturity
RM01	87,30	87,10	87,20	26.09.06	394.985	21.071.427	344.457	8,09
RMDEN01	84,30	84,30	84,30	28.09.06	7.478	385.741	6.304	7,97
RMDEN02	83,10	82,20	82,60	28.09.06	165.022	8.353.785	136.575	7,83
RMDEN03	81,40	80,10	81,18	29.09.06	674.663	33.224.372	543.080	7,65
RMDEN04	80,00	79,50	79,85	29.09.06	433.894	21.196.040	346.502	7,50
RMDEN05	80,00	78,50	79,95	29.09.06	721.930	35.094.327	573.693	6,83

October 2006	High (%)	Low (%)	Last daily average price (%)	Last trading day	Volume (NV in EUR)	Turnover (denars)	Turnover (EUR)	Yield to maturity
RM01	87,30	87,00	87,14	31.10.06	647.678	34.529.767	564.327	7,69
RMDEN01	85,00	85,00	85,00	20.10.06	1.000	52.004	850	7,83
RMDEN02	82,90	82,50	82,80	30.10.06	596.394	30.154.559	492.783	7,90
RMDEN03	85,60	81,20	81,30	31.10.06	898.407	45.675.589	746.488	7,74
RMDEN04	80,00	79,80	79,89	31.10.06	715.463	34.974.854	571.637	7,60
RMDEN05	80,00	79,00	79,81	31.10.06	660.522	32.151.119	525.508	6,97

Source Macedonian Stock Exchange

FOREIGN INVESTORS ON THE OFFICIAL MARKET

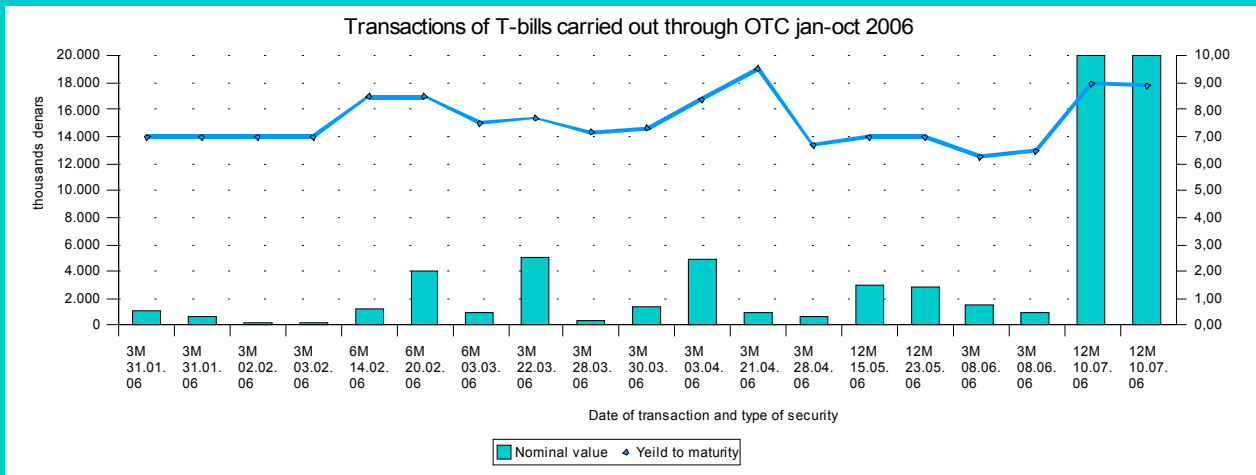
Foreign investors	Jan 2006	Feb 2006	Mar 2006	Apr 2006	May 2006	Jun 2006	Jul 2006	Aug 2006	Sep 2006	Oct 2006
Bonds*	11,28%	11,48%	11,22%	11,65%	11,70%	10,44%	10,46%	10,51%	10,46%	10,72%

* 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.

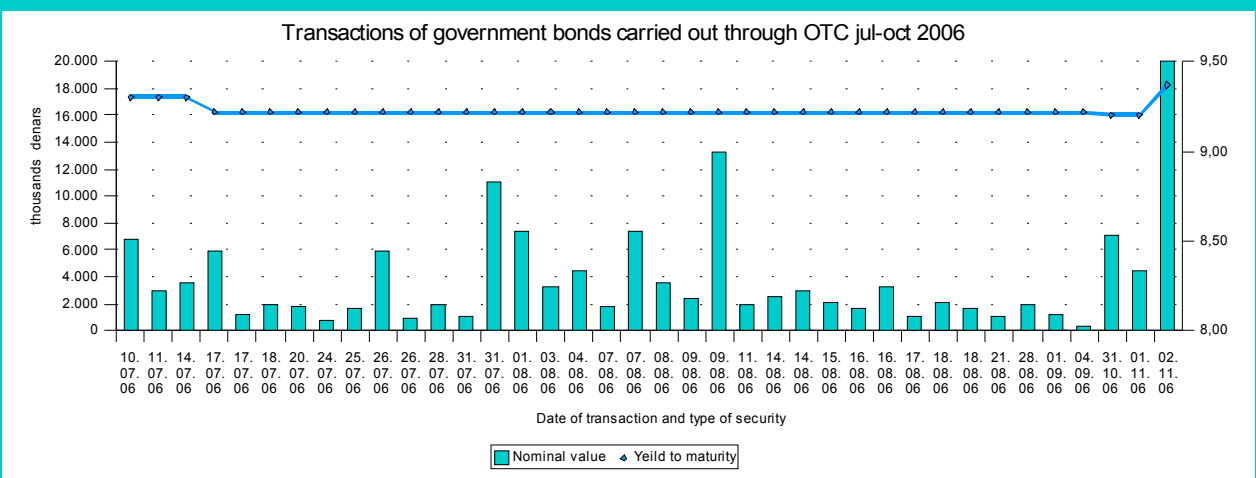


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2.2.2 Over the counter



Source: NBRM



Source: NBRM



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3 CALENDAR OF AUCTIONS FOR THE FOURTH QUARTER IN 2006 AND FIRST QUARTER IN 2007

Quarter	Month	Auction code	Auction date	Payment date	Maturity date	Maturity (in days years)
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
I	Januari	DZ2007/01-91	09/01/07	10/01/07	11/04/07	91
		DZ2007/01-182	09/01/07	10/01/07	11/07/07	182
		DZ2007/02-91	23/01/07	24/01/07	25/04/07	91
		DZ2007/01-364	23/01/07	24/01/07	23/01/08	364
	February	DZ2007/03-91	06/02/07	07/02/07	09/05/07	91
		DZ2007/02-182	06/02/07	07/02/07	08/08/07	182
		DZ2007/04-91	20/02/07	21/02/07	23/05/07	91
		DO2007/01-0209	22/02/07	26/02/07	26/02/09	02
	March	DZ2007/05-91	06/03/07	07/03/07	06/06/07	91
		DZ2007/03-182	06/03/07	07/03/07	05/09/07	182
		DZ2007/06-91	20/03/07	21/03/07	20/06/07	91
		DZ2007/02-364	20/03/07	21/03/07	19/03/08	364
		DO2007/02-0310	22/03/07	26/03/07	26/03/10	03

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 AD Skopje (for 3-month treasury bills)				Denar 10,000-50,000	Denar 200 fixed		
					Denar 60,000-100,000	Denar 500 fixed		
					110,000-500,000ден.	Denar 1,000 fixed		
					Denar 510,000-1,000,000	Denar 1,500 fixed		
					Denar 1,010,000-5,000,000	0,14% (min. Denar 1,500)		
					Denar 5,010,000-10,000,000	0,12% (min. Denar 7,000)		
			exceeding Denar 10,010,000	0,10% (min. Denar 12,000)				
3.2	Investbanka AD Skopje (for 6-month treasury bills)				Denar 10,000-50,000	Denar 300 fixed		
					Denar 60,000-100,000	Denar 700 fixed		
					110,000-500,000ден.	Denar 1,300 fixed		
					Denar 510,000-1,000,000	Denar 2,000 fixed		
					Denar 1,010,000-5,000,000	0,16% (min. Denar 2,000)		
					Denar 5,010,000-10,000,000	0,14% (min. Denar 8,000)		
			exceeding Denar 10,010,000	0,12% (min. Denar 14,000)				
3.3	Investbanka AD Skopje (government bonds)				Denar 10,000-50,000		Denar 500 fixed	
					Denar 60,000-100,000		Denar 1,000 fixed	
					110,000-500,000ден.		Denar 1,300 fixed	
					Denar 510,000-1,000,000		Denar 2,000 fixed	
					Denar 1,010,000-5,000,000		0,17% (min. Denar 2,500)	
					Denar 5,010,000-10,000,000		0,15% (min. Denar 7,500)	
			exceeding Denar 10,010,000		0,13% (min. Denar 15,000)			
4	Internacionalna Privatna Banka AD Skopje	27 mart, 1	3112-830 3134-060	3119-191 3124-288	up to Denar 200,000	Denar 200 fixed	0,10% (min. Denar 200)	Denar 200
				exceeding Denar 200,000	0,10%			
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	Komercijalna Investiciona 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	Makedonska Banka AD Skopje	Bul. VMRO, 3-12/2	3117-191	3117-111	up to Denar 730,000	Denar 800 fixed		
					730,000-27,270,000	0,11%		
					exceeding Denar 27,270,000	Denar 30,000 fixed		
9	Ohridska Banka AD Skopje	Makedonski	046/254-130	046/206-600	Any value	0,10%	0,10% (min. Denar	Denar 100 for



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	Name	Address	Fax	Phone	Nominal amount	Fee for treasury bills-successful bid*	Fee for government bonds-successful bid	Fee for unsuccessful bid
		Prosvetiteli 19	046/254-133	046/265-330			100)	GB
10	Postenska Banka AD Skopje	Marks Engels 3	3220-389 3163-054	3112-862 3163-354	Does not work with clients			
11	ProKredit Banka AD Skopje	Bul. Jane Sandanski 109/a	3219-901	3219-900 3219-948	Any amount	0.12% (min. Denar 300)	0.12% (min. Denar 300)	
12	Sileks 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
13	Stopanska Banka AD Bitola**	Dobriovoe 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
14	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
15	TTK Banka AD Skopje	Naroden front 19/a	3236-444	3236/400				
16	NPB Tutunska banka AD Skopje	12 th Udarna Brigada, b.b	3105-630 3105-681	3105-601 3105-606 3105-694	Any amount	0.12% (min. Denar 300)	0,12%	Denar 300
17	Makedonska Banka za poddrška na razvojot AD Skopje	Veljko Vlahovik 26	3239-688	3114-840 3115-844				
18	Univerzalna Investiciona Banka AD Skopje	Maksim Gorki 6	3286-000 3130-448	3286-100	Any amount	0,12%	0,12%	
19	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.								

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
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5 CONTACT PERSONS

Name	Position	Phone	E-mail
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Ana Stojkova	Head of Front Office unit	02 3106 293	Ana.Stojkova@finance.gov.mk
Sanja Manasijevic Manceva	Front Office	02 3106 171	Sanja.Manasijevic@finance.gov.mk
Dejan Nikolovski	Front Office	02 3106 381	Dejan.Nikolovski@finance.gov.mk
Darko Blazevski	Front Office	02 3106 171	Darko.Blazevski@finance.gov.mk