



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 Presentations at the government securities 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 FIRST QUARTER IN 2007**
- 4. AUTHORIZED DIRECT PARTICIPANTS (DATA, CONTACTS AND FEES)**
- 5. CONTACT PERSONS**

January, 2006



*Ministry of Finance of the Republic of Macedonia  
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 November 23, 2006, Ministry of Finance issued 3-year government bond for the first time. Amount of Denar 300 million was offered at the auction, and the demand therefor was Denar 290 million. Weighted yield of 9,621% was achieved at the auction and in relation to the weighted yield of the 2-year government bond achieved on the auction held at the end of October, it is by 0,30 percentage points higher. Banks had dominant share of 80% in the ownership structure, while the remaining part accounts for non-banking entities, with a significant share of pension companies in the realization at the auction.

The Ministry of Finance, on December 29, 2006, made early buyback of the 5-year Continuous government bond no. 2 in 2005, ISIN MKMINF20N016. The bond was bought back at nominal value, and the due coupon amount for the last year was paid. The Ministry of Finance has decided to do so on the basis of the current favorable budget position, as well as on the fact that the early buyback in the next four years the Ministry of Finance will make savings in interest.

Interest rates in the past two-month period grew in December, after the insignificant decline in early November. This refers both to 3-month government securities and 6-month government securities. Interest rate on 3-month government securities after the decline in November from 6,31% to 6,10%, at the end of the year reached a level of 6,36%, which is an increase by 0,26 percentage points.

Similar trends of interest rates were noticed at 6-month government securities, which after the slight decline in November, at the last auction held in December grew to 7,02%. There was insignificant rise in the interest rates on 12-month government securities, whereby the achieved 8,86% interest rate is by 0,20 percentage points higher than the interest rate achieved at the auction held in September.

Comparative analysis of the trends in the interest rates on government securities in 2005 and 2006 suggests a declining trend. Weighted interest rate of the 3-month treasury bills achieved at auctions in December 2005 was 8,00%, while the same interest rate achieved at auctions in the same month in 2006 declined by over 1,5 percentage points and was 6,26%. Weighted interest rate on 6-month treasury bills in December 2005 was 8,81%, and by constant decline during the year, it reached 7,02% in December 2006. The trend of interest rates is the same in other government securities.



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### **1.2 Presentations at the government securities market**

The Ministry of Finance in this period will continue with presentations on government securities. During the FINEXPO fair, held in early December 2006, the Public Debt Management Department made presentation on the functioning of the government securities market in the Republic of Macedonia. The presentation was educational, providing information for the broader public to get familiar with the novelties introduced on the government securities market in the past period, as well as on the novelties planned for the next year on the government securities market.

This presentation is a part of the series of presentations the Public Debt Management Department made during 2006. They are aimed at deepening the government securities market and extending the investor base and they will be organized also in 2007.



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## 2 GOVERNMENT SECURITIES MARKET

### 2.1 Primary market

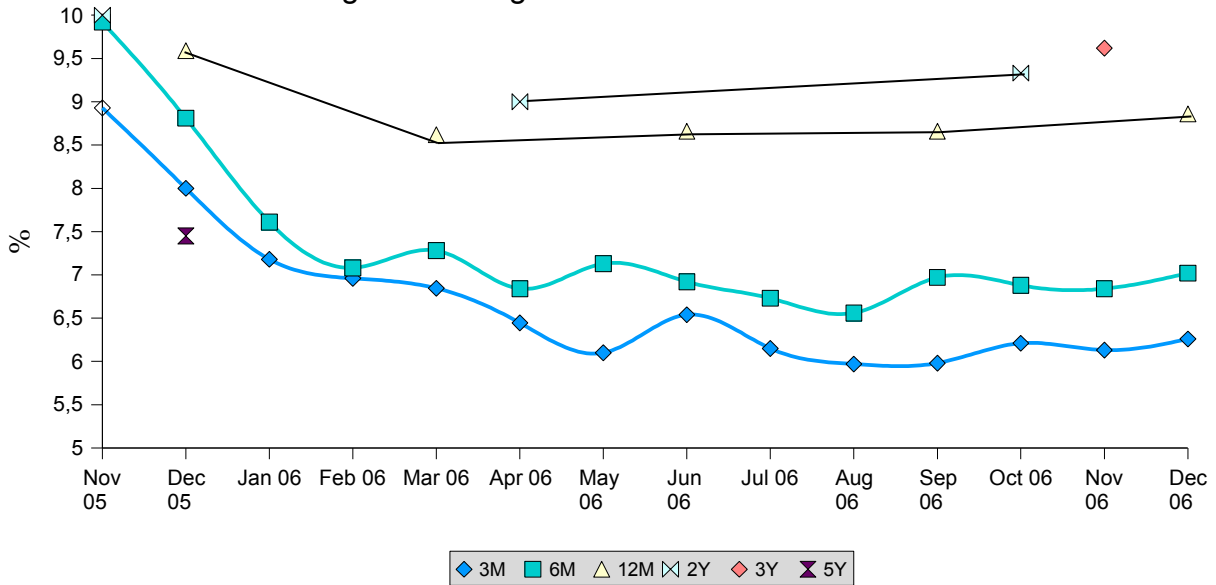
	Results from the auctions of government securities in November 2006			
	3 month		6 month	3 year
	DZ2006/21-91	DZ2006/22-91	DZ2006/11-182	DO2006/03-1109
ISIN code	MKMINFDZ6217	MKMINFDZ6225	MKMINFDS6117	MKMINF20G044
Days of maturity	91	91	182	3
Date of auction	07.11.2006	21.11.2006	07.11.2006	23.11.2006
Maturity date	07.02.2007	21.02.2007	09.05.2007	27.11.2009
Max. interest rate	6,39	6,58	7,23	9,751
Min. interest rate	5,50	5,60	6,00	9,000
Average interest rate	6,15	6,10	6,84	9,621
Average price	98,4689	98,4815	96,6574	98,445
Amount offered for sale	900.000.000	950.000.000	400.000.000	300.000.000
Amount of bids submitted	1.082.800.000	432.730.000	455.370.000	290.800.000
Amount of bids accepted	900.000.000	432.730.000	400.000.000	290.800.000
Bid to cover ratio	1,2	1	1,14	1
Submitted bids	51	46	16	27
Accepted bids	47	46	13	27
	Results from the auctions of government securities in December 2006			
	3 month		6 month	12 month
	DZ2006/23-91	DZ2006/24-91	DZ2006/12-182	DZ2006/04-364
ISIN code	MKMINFDZ6233	MKMINFDZ6241	MKMINFDS6125	MKMINFDY6044
Days of maturity	91	91	182	364
Date of auction	05.12.2006	19.12.2006	05.12.2006	19.12.2006
Maturity date	07.03.2007	21.03.2007	06.06.2007	19.12.2007
Max. interest rate	6,68	6,80	7,20	9,00
Min. interest rate	5,70	5,70	6,19	8,20
Average interest rate	6,15	6,36	7,02	8,86
Average price	98,4697	98,4173	96,5724	91,7767
Amount offered for sale	1.250.000.000	1.600.000.000	400.000.000	350.000.000
Amount of bids submitted	977.040.000	1.114.000.000	413.460.000	324.160.000
Amount of bids accepted	977.040.000	1.114.000.000	400.000.000	324.160.000
Bid to cover ratio	1	1	1,03	1
Submitted bids	53	55	24	25
Accepted bids	53	55	24	25

Source Ministry of Finance



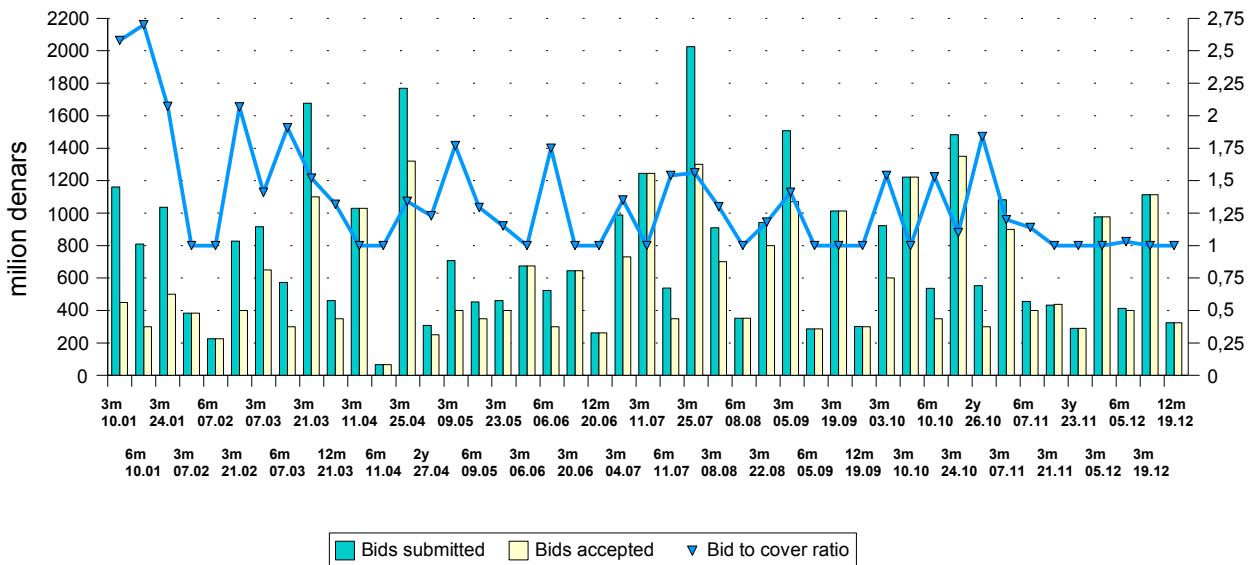
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Weighted average interest rates at GS auctions



Source Ministry of Finance

Bids submitted and bids accepted at GS auctions in 2006

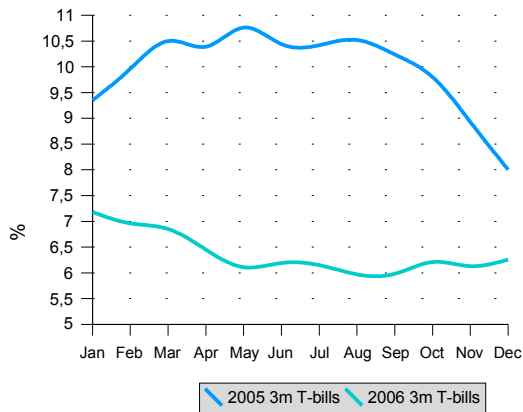


Source Ministry of Finance

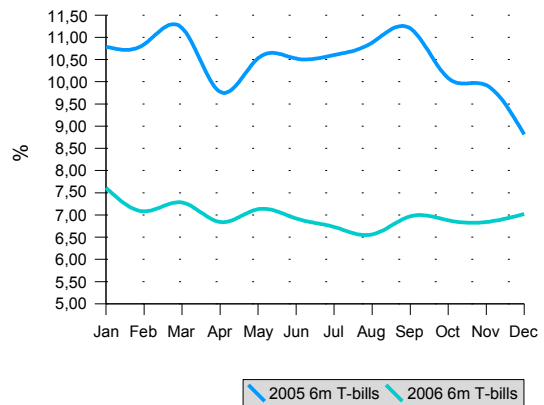


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Weighted average interest rates of 3 month T-bills Jan-Dec 2005 and 2006

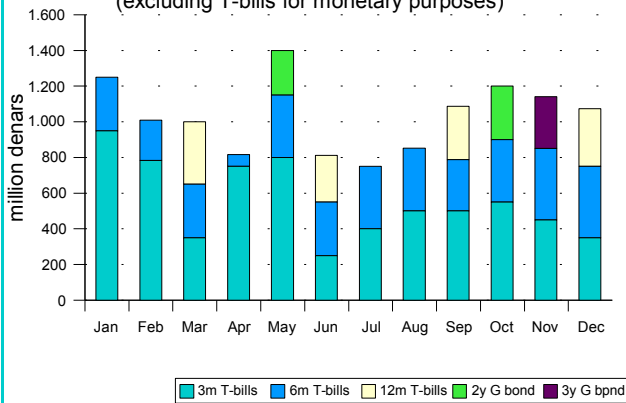


Weighted average interest rates of 6 month T-bills Jan-Dec 2005 and 2006

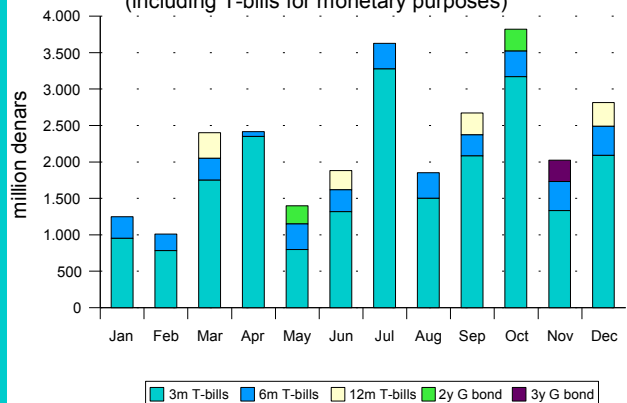


Source Ministry of Finance

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



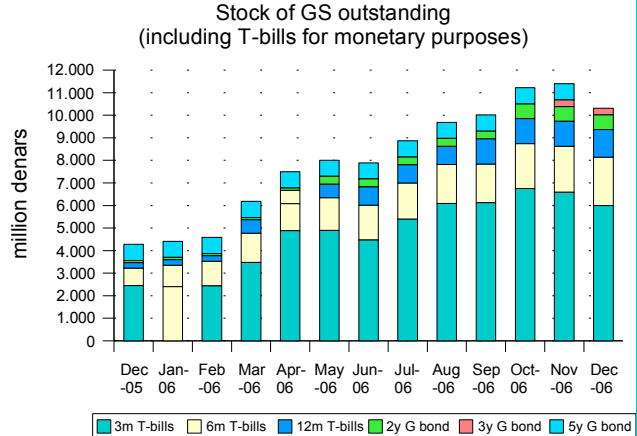
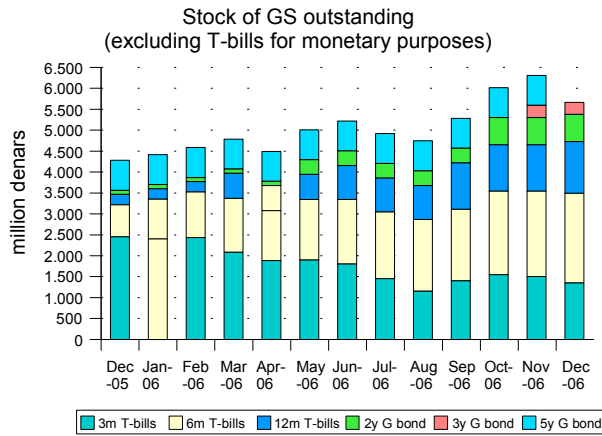
Issuance activity in 2006, by month (including T-bills for monetary purposes)



Source Ministry of Finance

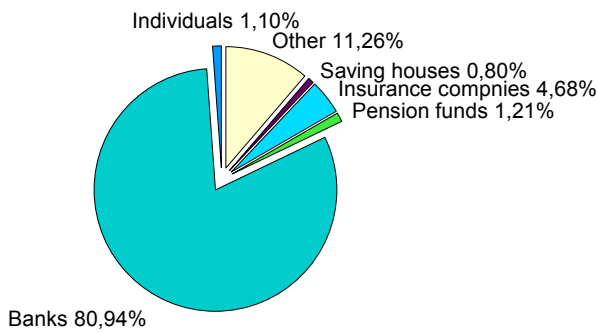


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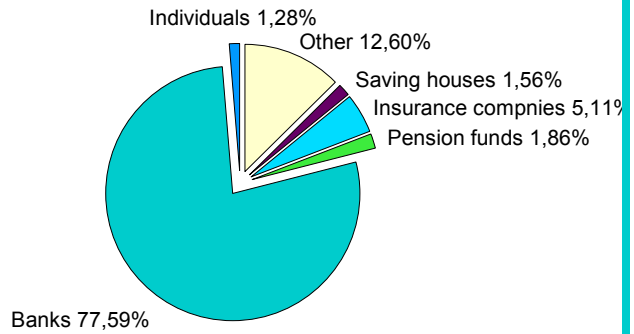


Source Ministry of Finance

Ownership structure of continuous GS outstanding, October 2006



Ownership structure of continuous GS outstanding, December 2006

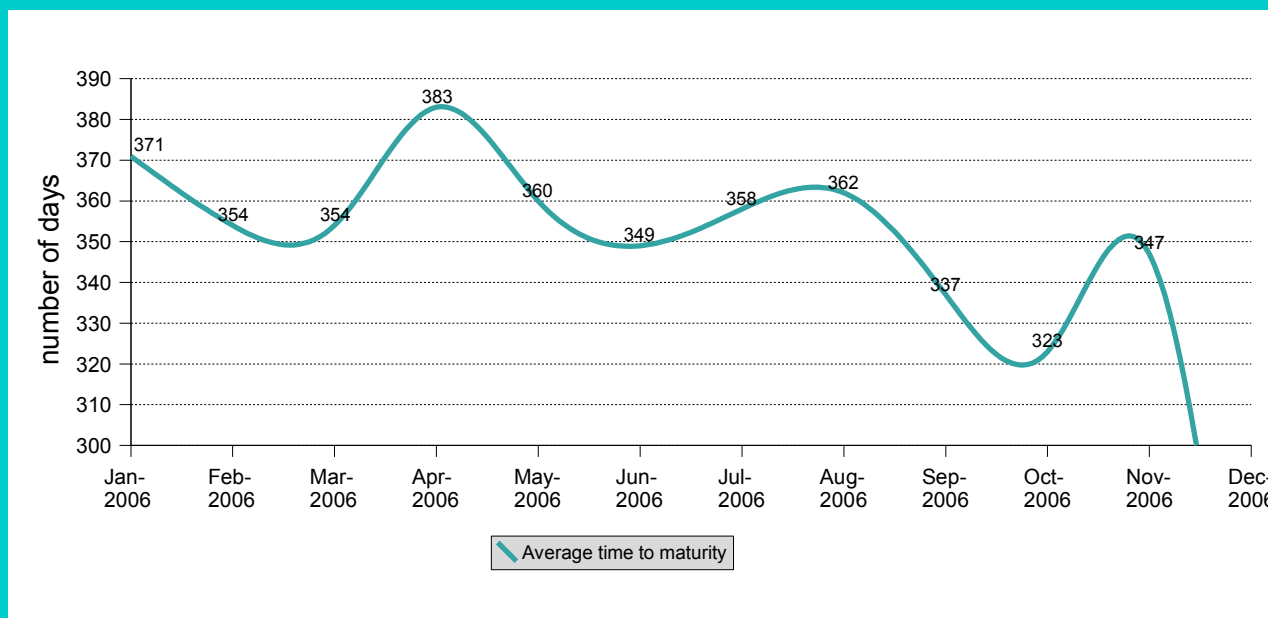


Source Ministry of Finance



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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 <sup>st</sup> of October 2006	31 <sup>st</sup> of December 2006	2 years		3 years		31 <sup>st</sup> of October 2006	31 <sup>st</sup> of December 2006
Duration*	31 <sup>st</sup> of October 2006	31 <sup>st</sup> of December 2006	31 <sup>st</sup> of October 2006	31 <sup>st</sup> of December 2006	31 <sup>st</sup> of October 2006	31 <sup>st</sup> of December 2006	31 <sup>st</sup> of October 2006	31 <sup>st</sup> of December 2006
Average days	96,43	104,95	533,62	521,46	0,00	973,98	335,20	200,49
Average years	0,26	0,29	1,46	1,43	0,00	2,67	0,92	0,55

\*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



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

## 2.2 Secondary market

### 2.2.1 Macedonian Stock Exchange

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

November 2006	High (%)	Low (%)	Last daily average price (%)	Last trading day	Volume (NV in EUR)	Turnover (denars)	Turnover (EUR)	Yield to maturity
RM01	87,20	87,00	87,00	30.11.06	250.650	13.356.432	218.321	7,96
RMDEN01	85,00	85,00	85,00	22.11.06	520	27.040	442	8,00
RMDEN02	83,00	82,10	82,50	30.11.06	149.734	7.582.672	123.923	8,18
RMDEN03	81,50	81,00	81,00	30.11.06	154.889	7.709.845	126.016	7,98
RMDEN04	80,00	79,60	79,81	30.11.06	1.385.205	67.667.260	1.105.991	7,74
RMDEN05	79,30	78,50	78,87	30.11.06	415.994	20.099.290	328.522	8,26

December 2006	High (%)	Low (%)	Last daily average price (%)	Last trading day	Volume (NV in EUR)	Turnover (denars)	Turnover (EUR)	Yield to maturity
RM01	87,00	80,00	85,87	29.12.06	111.365	5.833.541	95.326	8,76
RMDEN02	82,40	81,80	82,00	27.12.06	141.293	7.113.605	116.229	8,55
RMDEN03	81,10	80,00	80,20	29.12.06	190.510	9.377.185	153.230	8,42
RMDEN04	79,90	77,10	79,52	29.12.06	472.743	22.881.670	373.898	7,95
RMDEN05	80,00	78,00	79,00	29.12.06	299.114	14.456.250	236.232	7,40

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	Nov 2006	Dec 2006
Bonds*	11,28%	11,48%	11,22%	11,65%	11,70%	10,44%	10,46%	10,51%	10,46%	10,72%	10,96	11,24

\* 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.





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Public Debt Management Department

### 3 CALENDAR OF AUCTIONS FOR THE FIRST QUARTER IN 2007

Quarter	Month	Auction code	Auction date	Payment date	Maturity date	Maturity (in days years)
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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Public Debt Management Department

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 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	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 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
10	Postenska Banka AD Skopje	Marks Engels 3	3220-389 3163-054	3112-862 3163-354	Does not work with clients			



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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
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**	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
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 <sup>th</sup> 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](http://www.finance.gov.mk), which is regularly updated after receiving bank notifications.



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## 5 CONTACT PERSONS

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Sanja Manasijevic Manceva	Front Office	02 3106 171	<a href="mailto:Sanja.Manasijevic@finance.gov.mk">Sanja.Manasijevic@finance.gov.mk</a>
Dejan Nikolovski	Front Office	02 3106 381	<a href="mailto:Dejan.Nikolovski@finance.gov.mk">Dejan.Nikolovski@finance.gov.mk</a>
Darko Blazevski	Front Office	02 3106 171	<a href="mailto:Darko.Blazevski@finance.gov.mk">Darko.Blazevski@finance.gov.mk</a>