



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

PUBLICATION No. 06
January - February 2007

GOVERNMENT SECURITIES MARKET IN THE REPUBLIC OF MACEDONIA

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March, 2007



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1 EVENTS ON THE FINANCIAL MARKET IN THE PAST PERIOD

1.1 Trends on the financial market in the Republic of Macedonia

Interest rates on 3-month government securities noted certain increase in January and slight decline in February, while interest rates on 6-month government securities dropped in January and slightly increased in February. Regarding the other government securities during the same period, interest rates declined in relation to the previous auctions.

Thus, interest rate on 3-month government securities grew up to 6.57% in January, and in the next period already they declined and reached the level of 6.30%. Interest rates on 6-month government securities, which following the decline in January were 6.76%, at the last auction held in February, slightly grew and reached the level of 6.78%.

There was insignificant drop in the interest rates on 12-month government securities, whereby the achieved 8.79% interest rate was by 0.07 percentage points lower than the interest rate achieved at the auction held in December 2006. Interest rate on 2-year government bonds in February was 8.872%, i.e. it declined in relation to the auction held in October 2006, when it amounted to 9.331%.

Comparative analysis of the trends in the interest rates on government securities in 2006 and 2007 suggests a declining trend. Weighted interest rate of the 3-month treasury bills achieved at auctions in February 2006 was 6.96%, while the same interest rate achieved at auctions in the same month in 2007 declined by around 0.6 percentage points and was 6.37%. Weighted interest rate of 6-month treasury bills in February 2006 was 7.08%, and by constant decline during the year, it reached 6.78% in February 2007. The trend of interest rates is the same in other government securities.

1.2 Amendments to the Tariff List of the Macedonian Stock Exchange

At its XLIII session held on 20th November 2006, Board of Directors of the Macedonian Stock Exchange AD Skopje reached Decision on Modifications and Amendments to the Tariff List for the amount of the fees on the Macedonian Stock Exchange AD Skopje, which was approved by the Securities and Exchange Commission, in accordance with the decision no. 08-2600/3 dated 26th December 2006.



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After having obtained the Decision, starting 11th January 2007, Macedonian Stock Exchange AD Skopje abolished the fee on trading with all other government bonds, except government bonds issued for the purpose of settlement of claims of foreign currency deposits of citizens and denationalisation bonds, and fee on trading with short-term treasury bills was also abolished.



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2 GOVERNMENT SECURITIES MARKET

2.1 Primary market

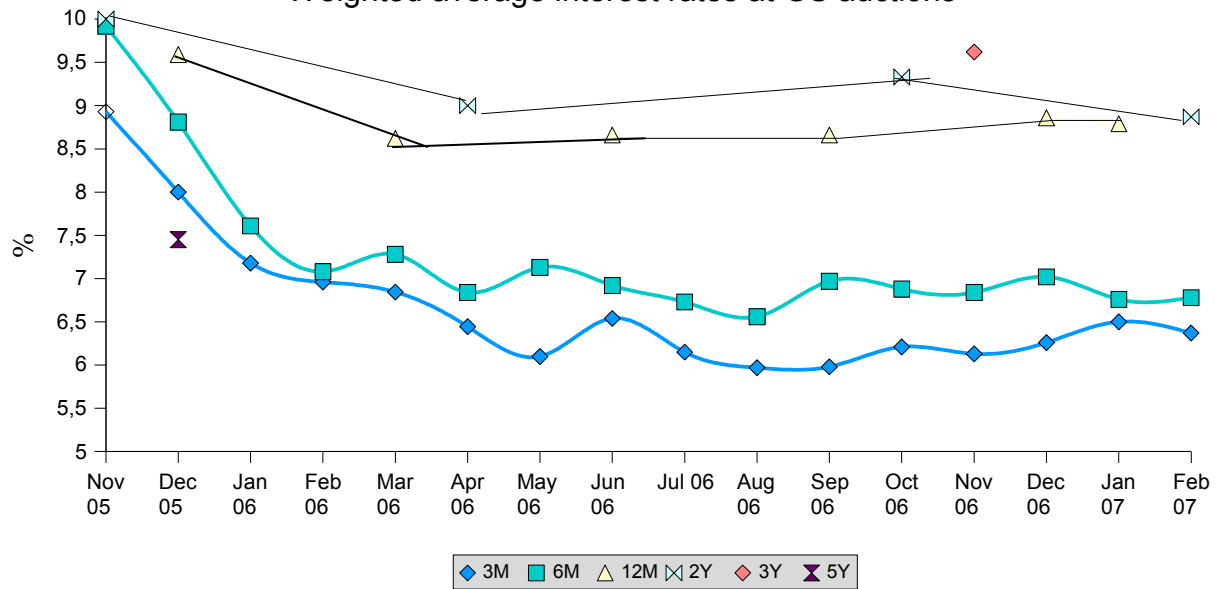
	Results from the auctions of government securities in January 2007			
	3 month		6 month	12 months
	DZ2007/01-91	DZ2007/02-91	DZ2007/01-182	DO2007/01-364
ISIN code	MKMINFDZ7017	MKMINFDZ7025	MKMINFDS7016	MKMINFDY7018
Days of maturity	91	91	182	364
Date of auction	09.01.2007	23.01.2007	09.01.2007	23.01.2007
Maturity date	11.04.2007	25.04.2007	11.07.2007	23.01.2008
Max. interest rate	6,70	6,70	6,99	9,000
Min. interest rate	5,98	5,70	6,19	8,590
Average interest rate	6,42	6,57	6,76	8,790
Average price	98,4040	98,3657	96,6955	91,837
Amount offered for sale	1.150.000.000	1.200.000.000	400.000.000	300.000.000
Amount of bids submitted	887.380	1.343.070.000	674.420.000	128.320.000
Amount of bids accepted	887.380	1.200.000.000	400.000.000	128.320.000
Bid to cover ratio	1	1,12	1,69	1
Submitted bids	41	33	12	10
Accepted bids	41	32	9	10
	Results from the auctions of government securities in February 2007			
	3 month		6 month	2 years
	DZ2007/03-91	DZ2007/04-91	DZ2007/02-182	DO2007/01-0209
ISIN code	MKMINFDZ7033	MKMINFDZ7041	MKMINFDS7024	MKMINF20G051
Days of maturity	91	91	182	2
Date of auction	06.02.2007	20.02.2007	06.02.2007	22.02.2007
Maturity date	09.05.2007	23.05.2007	08.08.2007	26.02.2009
Max. interest rate	6,65	6,83	7,28	9,000
Min. interest rate	5,70	5,85	6,19	8,500
Average interest rate	6,44	6,30	6,78	8,872
Average price	98,3977	98,4335	96,6860	99,3450
Amount offered for sale	900.000.000	850.000.000	350.000.000	250.000.000
Amount of bids submitted	1.083.670.000	704.250.000	302.870.000	318.150.000
Amount of bids accepted	900.000.000	704.250.000	302.870.000	250.000.000
Bid to cover ratio	1,2	1	1	1,27
Submitted bids	50	55	29	24
Accepted bids	42	55	29	24

Source Ministry of Finance



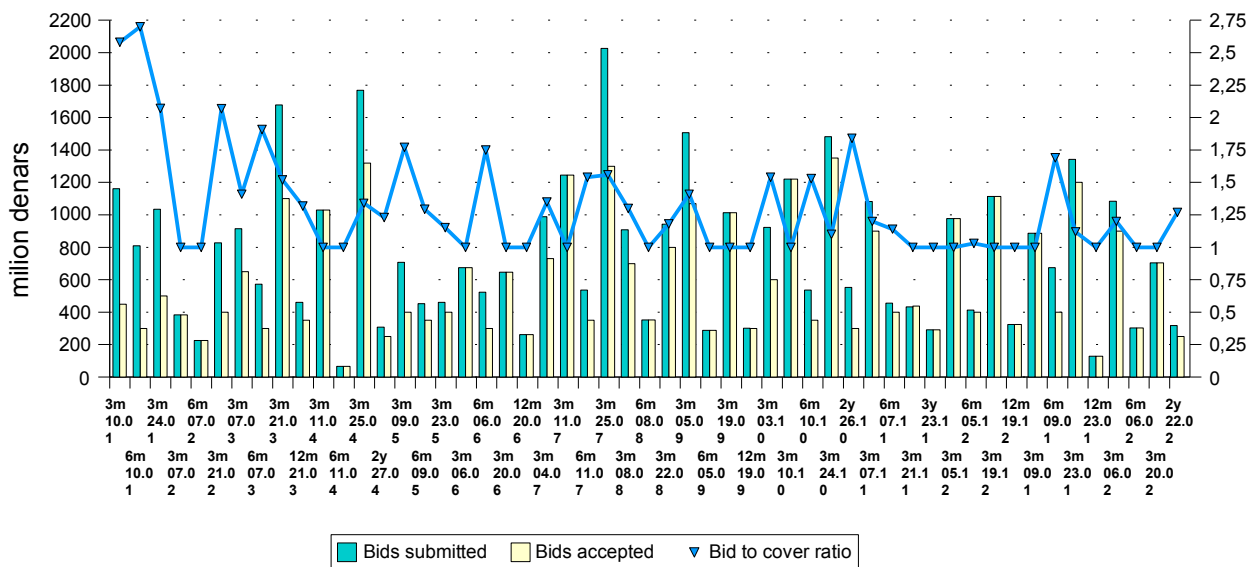
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Weighted average interest rates at GS auctions



Source Ministry of Finance

Bids submitted and bids accepted at GS auctions in 2006 and 2007

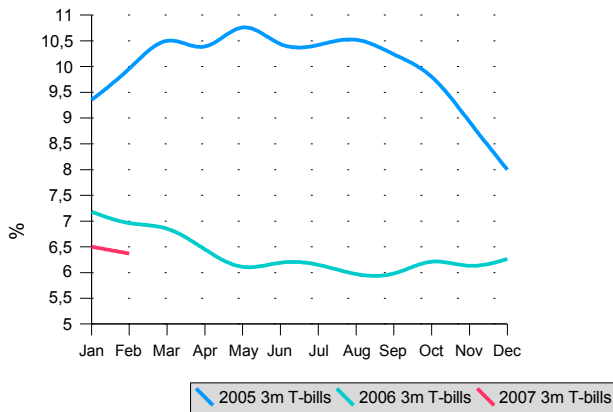


Source Ministry of Finance

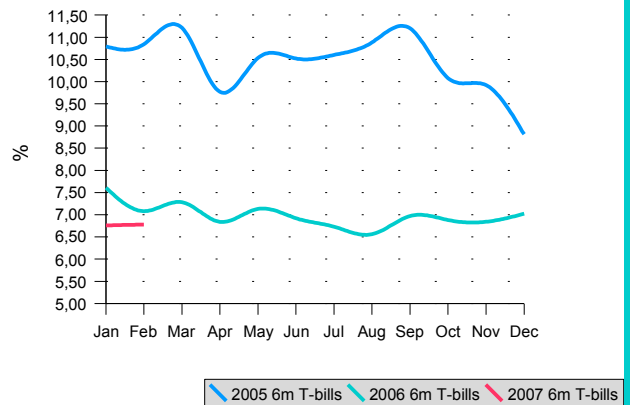


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Weighted average interest rates of 3 month T-bills 2005, 2006 and 2007

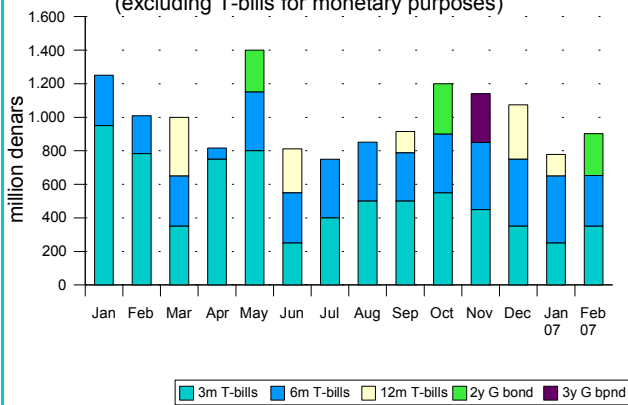


Weighted average interest rates of 6 month T-bills 2005, 2006 and 2007

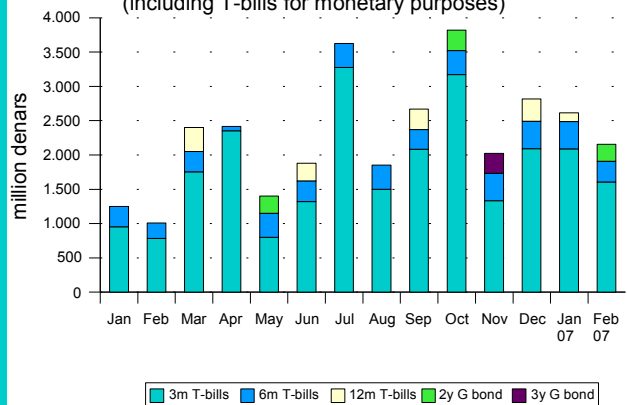


Source Ministry of Finance

Issuance activity in 2006 and 2007, by month (excluding T-bills for monetary purposes)



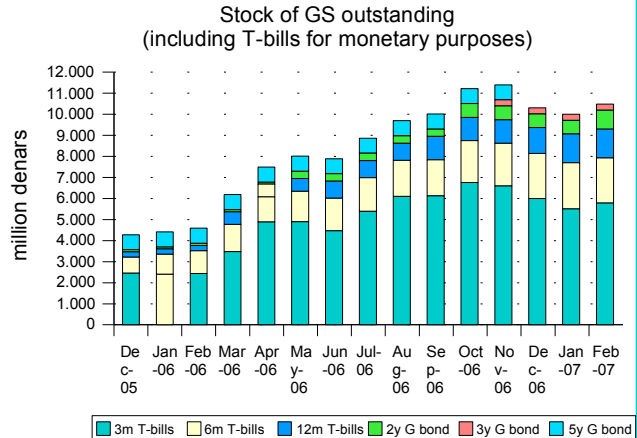
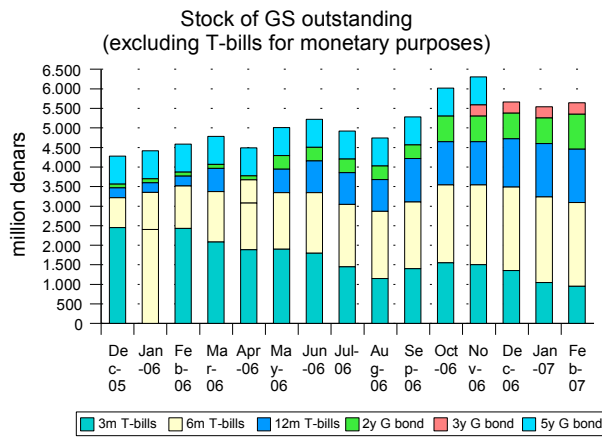
Issuance activity in 2006 and 2007, by month (including T-bills for monetary purposes)



Source Ministry of Finance

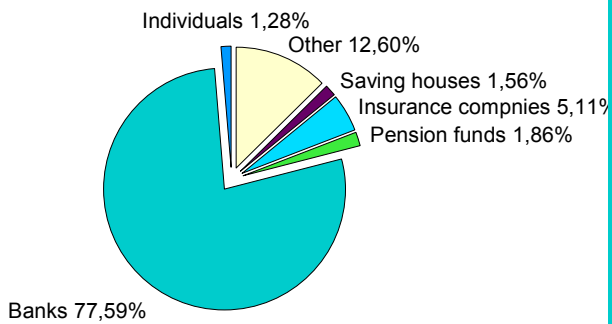


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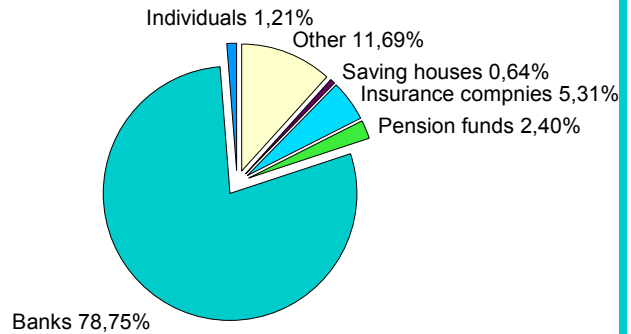


Source Ministry of Finance

Ownership structure of continuous GS outstanding, December 2006



Ownership structure of continuous GS outstanding, February 2007

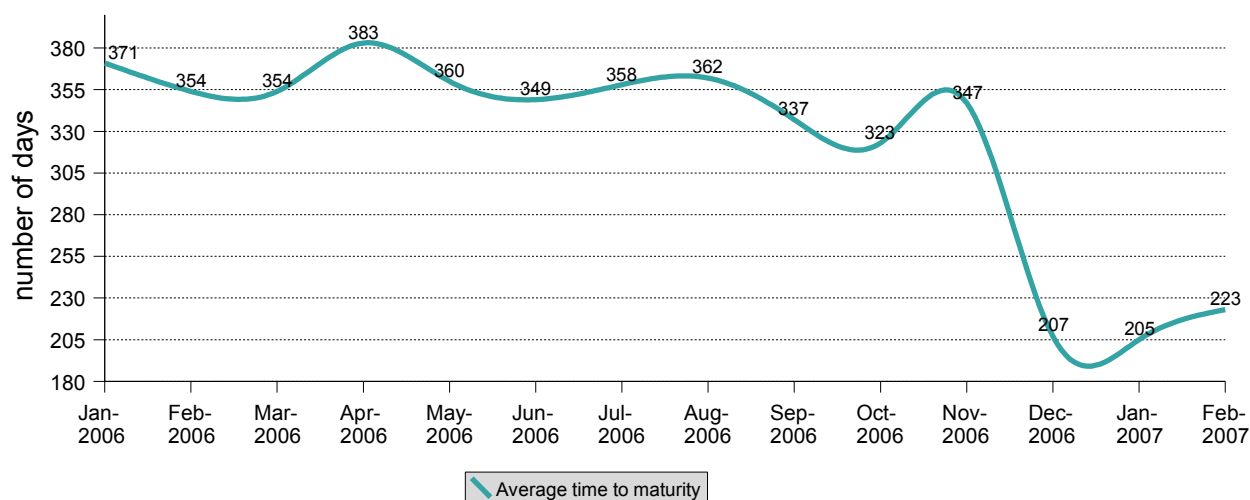


Source Ministry of Finance



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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			
	31 st of December 2006	28 th of February 2007	31 st of December 2006	28 th of February 2007	31 st of December 2006	28 th of February 2007	31 st of December 2006	28 th of February 2007
Average days	104,95	102,61	521,46	526,42	973,98	914,98	200,49	216,31
Average years	0,29	0,28	1,43	1,44	2,67	2,51	0,55	0,59

*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

January 2007	High (%)	Low (%)	Last daily average price (%)	Last trading day	Volume (NV in EUR)	Turnover (denars)	Turnover (EUR)	Yield to maturity
RM01	87,00	80,10	87,00	31.01.07	167.631	8.695.371	142.111	8,40
RMDEN01	85,00	85,00	85,00	23.01.07	4.285	222.780	3.642	8,39
RMDEN02	83,90	82,50	83,00	31.01.07	35.607	1.805.726	29.512	8,30
RMDEN03	82,00	80,00	82,00	31.01.07	326.663	16.077.417	262.782	7,88
RMDEN04	83,00	78,50	81,00	31.01.07	373.883	18.199.841	297.458	7,56
RMDEN05	81,90	78,50	80,27	31.01.07	327.750	15.925.117	260.286	7,10

February 2007	High (%)	Low (%)	Last daily average price (%)	Last trading day	Volume (NV in EUR)	Turnover (denars)	Turnover (EUR)	Yield to maturity
RM01	88,00	87,00	87,51	28.02.07	169.408	9.072.368	148.273	8,33
RMDEN01	85,00	82,00	82,00	26.02.07	13.354	688.101	11.246	10,17
RMDEN02	83,70	83,00	83,70	27.02.07	30.995	1.583.708	25.886	8,15
RMDEN03	82,60	80,40	82,05	26.02.07	184.000	9.261.962	151.340	7,99
RMDEN04	83,00	79,40	81,10	28.02.07	417.714	20.842.747	340.652	7,64
RMDEN05	82,00	80,00	81,90	28.02.07	504.587	25.066.859	409.611	6,67

Source Macedonian Stock Exchange

FOREIGN INVESTORS ON THE OFFICIAL MARKET

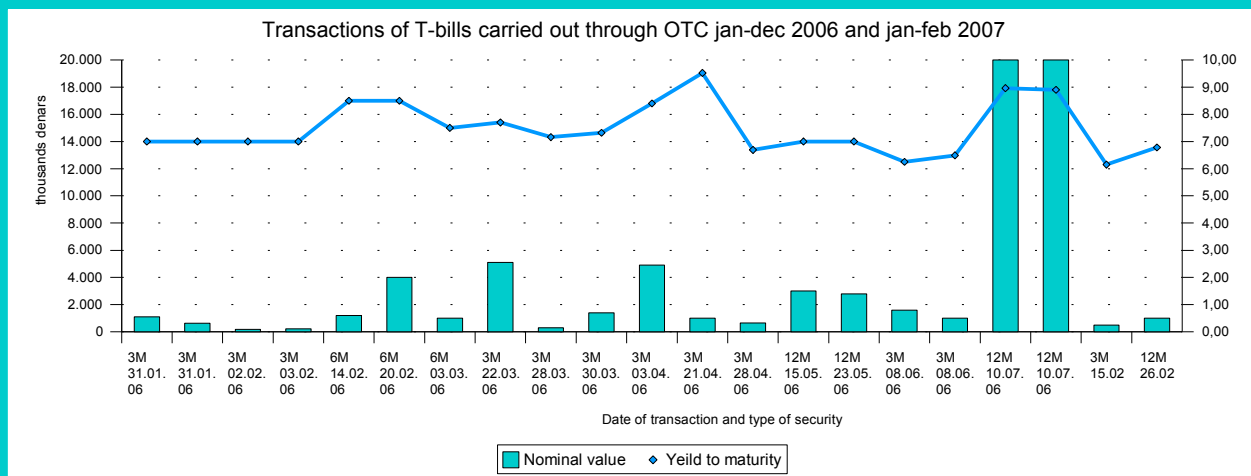
Foreign investors	Jan 2006	Feb 2006	Mar 2006	Apr 2006	May 2006	Jun 2006	Jul 2006	Aug 2006	Sep 2006	Oct 2006	Nov 2006	Dec 2006	Jan 2007	Feb 2007
Bonds*	11,28%	11,48%	11,22%	11,65%	11,70%	10,44%	10,46%	10,51%	10,46%	10,72%	10,96%	11,24%	11,15%	11,05%

* 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

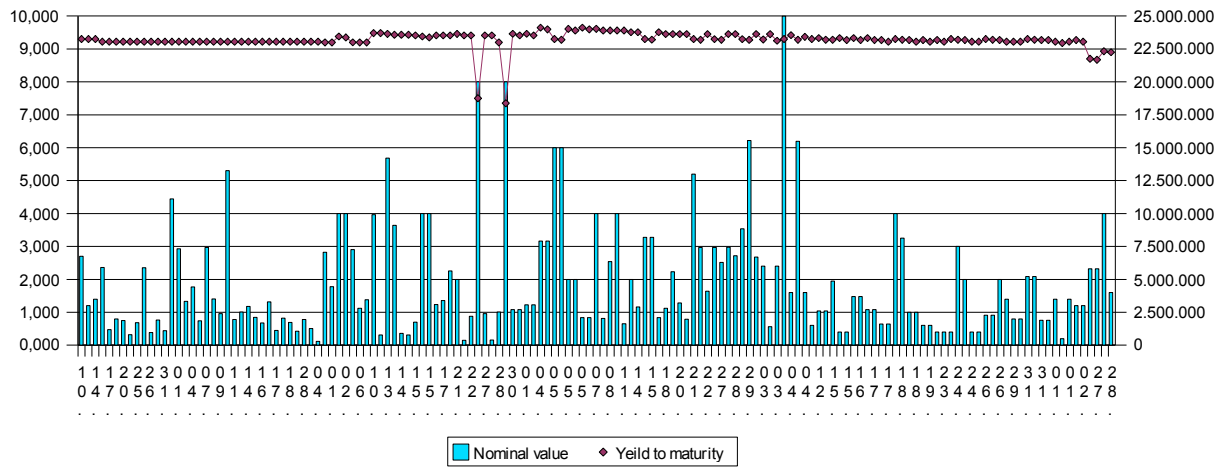


Source: NBRM



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Transactions of government bonds carried out through OTC jul-dec 2006 and jan-feb 2007



Source: NBRM



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3 CALENDAR OF AUCTIONS FOR THE SECOND AND THIRD QUARTER IN 2007

Quarter	Month	Auction code	Auction date	Payment date	Maturity date	Maturity (in days years)
II	April	DZ2007/07-91	10/04/07	11/04/07	11/07/07	91
		DZ2007/04-182	10/04/07	11/04/07	10/10/07	182
		DZ2007/08-91	24/04/07	25/04/07	25/07/07	91
	May	DZ2007/09-91	08/05/07	09/05/07	08/08/07	91
		DZ2007/05-182	08/05/07	09/05/07	07/11/07	182
		DZ2007/10-91	22/05/07	23/05/07	22/08/07	91
		DO2007/03-0509	31/05/07	04/06/07	04/06/09	02
	June	DZ2007/11-91	05/06/07	06/06/07	05/09/07	91
		DZ2007/06-182	05/06/07	06/06/07	05/12/07	182
		DZ2007/12-91	19/06/07	20/06/07	19/09/07	91
		DZ2007/03-364	19/06/07	20/06/07	18/06/08	364
		DO2007/04-0510	21/06/07	25/06/07	25/06/10	03
III	July	DZ2007/13-92	10/07/07	11/07/07	10/10/07	91
		DZ2007/07-182	10/07/07	11/07/07	09/01/08	182
		DZ2007/14-91	24/07/07	25/07/07	24/10/07	91
		DZ2007/04-364	24/07/07	25/07/07	23/07/08	364
	August	DZ2007/15-91	07/08/07	08/08/07	07/11/07	91
		DZ2007/08-182	07/08/07	08/08/07	06/02/08	182
		DZ2007/16-91	21/08/07	22/08/07	21/11/07	91
		DO2007/05-0809	23/08/07	27/08/07	27/08/09	02
	September	DZ2007/17-91	04/09/07	05/09/07	05/12/07	91
		DZ2007/09-182	04/09/07	05/09/07	05/03/08	182
		DZ2007/18-91	18/09/07	19/09/07	19/12/07	91
		DZ2007/05-364	18/09/07	19/09/07	17/09/08	364
DO2007/06-0910		20/09/07	24/09/07	24/09/10	03	



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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 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	3112-862	Does not work with			



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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
			3163-054	3163-354	clients			
11	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)	
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 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
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.



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5 CONTACT PERSONS

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Dejan Nikolovski	Front Office	02 3106 381	Dejan.Nikolovski@finance.gov.mk
Darko Blazevski	Front Office	02 3106 171	Darko.Blazevski@finance.gov.mk