



*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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December, 2007

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1 EVENTS ON THE FINANCIAL MARKET IN THE PAST PERIOD

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

During November and December, weighted interest rate on 3-month government securities (GS) stabilized, slightly increasing in relation to the previous two months. Weighted interest rate in November was 5,165%, while during December, on the auction held on December 12, 2007, interest rate achieved was 5,15%, and on the auction held on December 18, 2007, the interest rate was kept at the same level. Weighted interest rate on 6-month government securities in November was 5,36%, dropping to 5,24% on the auction held in December. The weighted interest rate on 12-month GS on the auction held in December was 5,50%. There was a volume tender on the auction for 2-year GS held in November, where coupon interest rate of 6,50% was offered.

Comparative analysis of the trends in the interest rates on government securities in 2007 compared to 2006 suggests a continuous declining trend. Weighted interest rate on the 3-month treasury bills achieved at the auctions held in December 2006 was 6,26%, while the same interest rate achieved at the auctions held in December in 2007 declined by 1,11 percentage point, reaching the level of 5,15%. Weighted interest rate on 6-month treasury bills in December 2006 was around 7,02%, and by constant decline during the year, it reached 5,24% in December 2007, being a drop by 1,78 percentage point. The trend of interest rates is the same as of other government securities.

Supply and demand trends in the period November – December were as follows:

- on the first auction of 3-month government securities in November, Denar 1.900.000.000 was offered, the demand accounted for Denar 1.542.260.000, while on the last auction of 3-month government securities held in November, Denar 1.700.000.000 was offered, and the demand reached the amount of Denar 1.249.840.000. Denar 650.000.000 was offered on the auction of 6-month government bonds, while the demand amounted to Denar 477.000.000. During November, auction of 2-year government bond was held, at which Denar 500.000.000 was offered, while the demand amounted to Denar 434.000.000.

- on the first auction of 3-month government securities in December, Denar 200.000.000 was offered, the demand amounted to Denar 205.000.000 while on the last auction held in the same month, Denar 465.000.000 was offered, and the demand reached the amount of Denar 479.500.000. in December, auction of 6-month GS was held, at which Denar 400.000.000 was offered, while the demand amounted to Denar 227.000.000. Auction of 12-month GS was held in December, at which Denar 300 million was offered, while the demand amounted to Denar 15.650.000,00.



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

There was only one transaction realized in treasury bills on the over-the-counter market in the period November-December 2007, the nominal amount of which was Denar 5.500.000, with average price of 98,9707 and average yield to maturity of 5,20%. On the other hand, no transaction was realized in government bonds (GB) in this period.

In November, structural bonds were traded on the Macedonian Stock Exchange in the total amount of EUR 1.729.989, and the total turnover of structural bonds was in the amount of EUR 1.448.827 or Denar 88.700.358. Turnover on the basis of trading is obtained by multiplying the realized price and the volume (nominal value) of the security. Average yield to maturity was 7,66% in November.

In December, total trading volume on the Macedonian Stock Exchange regarding structural bonds amounted to EUR 1.387.925, and the total turnover of structural bonds was EUR 1.170.392 or Denar 71.671.776. Average yield to maturity reached a level of 7,05%.

One can observe that the trading volume in November was higher and was by EUR 342.064 higher than the trading volume in December, and the turnover was higher by EUR 278.435. Also, the yield to maturity in November was by 0,61 percentage point higher compared to December. Share of foreign investors on the Macedonian Stock Exchange regarding bonds in November was 8,58%, and in December, it was lower and was 8,40%.

1.3 Review of ownership structure of undue structural government bonds regarding old foreign exchange saving and denationalisation as of December 31, 2007, inclusive

Overall stock of undue structural government bonds was EUR 303,989,794.70, EUR 115.403.579,00 of which referred to structural government bonds for denationalization (six issues of denationalization government bonds), while EUR 188.586.215,79 referred to structural government bonds for the old foreign exchange saving. Total number of holders of undue structural government bonds was 126841, 6231 of which were holders of denationalization bonds, while 120610 were holders of bonds for the old foreign exchange saving. Out of the total amount, EUR 220.581.065,41 or 72,56% were owned by physical entities, and EUR 83.408.729,38 or 27.44% were owned by legal entities. Out of the amount owned by legal entities, EUR 36.147.998,60 or 43,34% were owned by banks, while EUR 3.514.419,50 or 4,21% were owned by brokerage companies, and the remaining EUR 43.746.311,28 or 52,45% were owned by other legal entities.



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1.4 Liberalization of securities market

On December 28, 2007, National Bank of the Republic of Macedonia announced, in the Official Gazette of the Republic of Macedonia no. 159 as of December 28, 2007), the Decision for Termination of Validity of the Decision on the Manner and Conditions for Operations of Non-Residents with Securities in the Republic of Macedonia (Official Gazette of the Republic of Macedonia, nos. 53/02, 11/03, 19/03, 14/04). This Decision comes into force on the day it is published in the Official Gazette of the Republic of Macedonia, and starts applying on January 1, 2008.

This Decision provides for equal treatment of both residents and non-residents on the securities market. In fact, non-resident need not to buy rights from the National Bank of the Republic of Macedonia any more, i.e. to present statements to the Central Securities depository, which was a measure to limit the speculative capital on the securities market. Thus, what they only need so as to participate on the securities market is to open transaction accounts.

This contributes to liberalization of the securities market.

1.5 Improvements on the securities market

In December, Securities and Exchange Commission approved the first issue of debentures (corporate bonds) to ProCredit Bank. The Bank issued 5.000 bonds in the total amount of Denar 300.000.000,00 and interest rate of 8,4% annually. Nominal value of each corporate bond is Denar 60.000,00, with three-year maturity. The first issue of corporate bonds by ProCredit Bank is intended for a known buyer, that being NLB Tutunska Banka.

Issue of corporate bonds by ProCredit Bank is the first issue made by a bank in the Republic of Macedonia.



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2 GOVERNMENT SECURITIES MARKET

2.1 Primary market

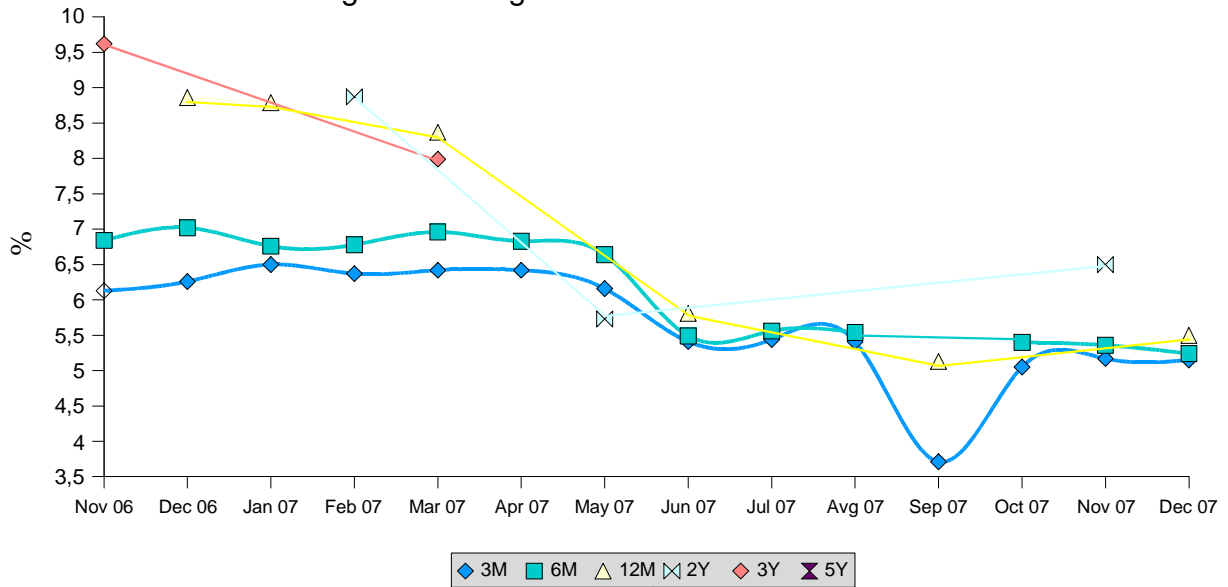
	Results from the auctions of government securities in november 2007			
	3 month	6 month	2 year	
	DZ2007/21-91	DZ2007/22-91	DZ2007/11-182	DO2007/08-1109
ISIN code	MKMINFDZ7215	MKMINFDZ7223	MKMINFDS7115	MKMINF20G127
Days of maturity	91	91	182	2 year
Date of auction	06.11.2007	20.11.2007	06.11.2007	22.11.2007
Maturity date	06.02.2008	20.02.2008	07.05.2008	26.11.2009
Max. interest rate	5,30	5,30	5,44	/
Min. interest rate	4,89	4,71	5,00	/
Average interest rate	5,18	5,15	5,36	/
Average price	98,7071	98,7155	97,3632	/
Coupon interest rate	/	/	/	6,5000
Amount offered for sale	1.900.000.000	1.700.000.000	650.000.000	500.000.000
Amount of bids submitted	1.542.260.000	1.249.840.000	477.000.000	434.000.000
Amount of bids accepted	1.493.760.000	1.244.840.000	452.000.000	434.000.000
Amount of bids accepted from competitive bids	1.493.760.000	1.244.840.000	452.000.000	434.000.000
Amount of bids accepted from noncompetitive bids	0	0	0	0
Percent of noncompetitive bids	1	1	1	1
Bid to cover ratio	1,03	1	1,06	1
Submitted bids	42	44	13	5
Accepted bids	37	43	10	5
	Results from the auctions of GS in december 2007			
	3 month	6 month	12 month	
	DZ2007/23-91	DZ2007/24-91	DZ2007/12-182	DZ2007/06-364
ISIN code	MKMINFDZ7231	MKMINFDZ7249	MKMINFDS7123	MKMINFDY7067
Days of maturity	91	91	182	364
Date of auction	04.12.2007	18.12.2007	04.12.2007	18.12.2007
Maturity date	05.03.2008	19.03.2008	04.06.2008	17.12.2008
Max. interest rate	5,33	5,33	5,50	5,70
Min. interest rate	4,71	4,71	4,99	5,14
Average interest rate	5,15	5,15	5,24	5,50
Average price	98,7152	98,7142	97,4172	94,7330
Amount offered for sale	200.000.000	465.000.000	400.000.000	300.000.000
Amount of bids submitted	205.500.000	479.500.000	227.000.000	15.650.000
Amount of bids accepted	195.500.000	465.000.000	227.000.000	15.650.000
Amount of bids accepted from competitive bids	195.500.000	465.000.000	227.000.000	15.650.000
Amount of bids accepted from noncompetitive bids	0	0	0	0
Percent of noncompetitive bids	1	1	1	1
Bid to cover ratio	1,05	1,03	1	1
Submitted bids	10	20	4	4
Accepted bids	10	20	4	4

Source Ministry of Finance



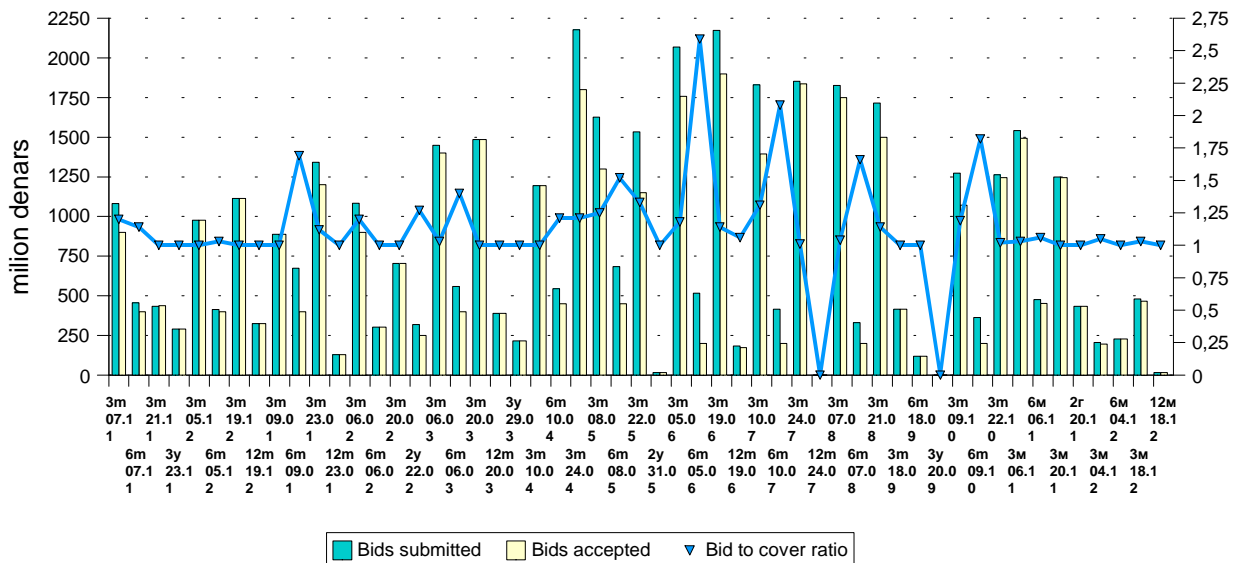
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Weighted average interest rates at GS auctions



Source Ministry of Finance

Bids submitted and bids accepted at GS auctions in november 2006 - december 2007

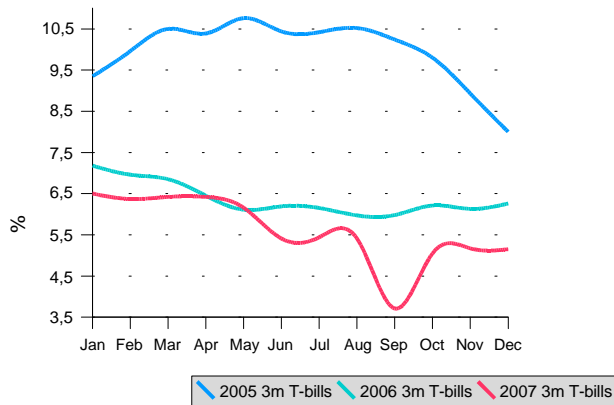


Source Ministry of Finance

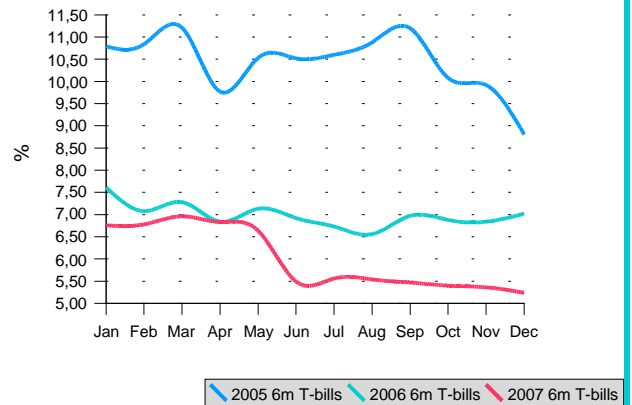


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Weighted average interest rates of 3 month T-bills 2005, 2006 and 2007

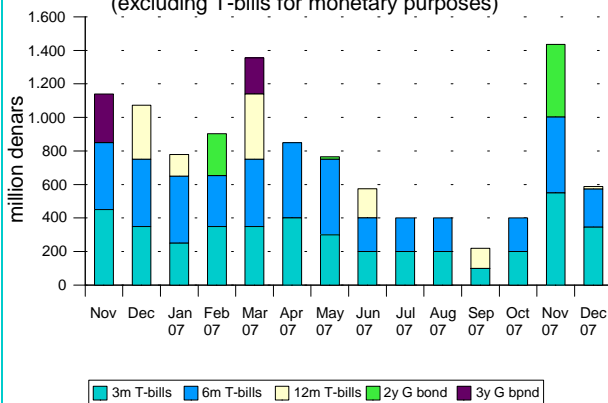


Weighted average interest rates of 6 month T-bills 2005, 2006 and 2007

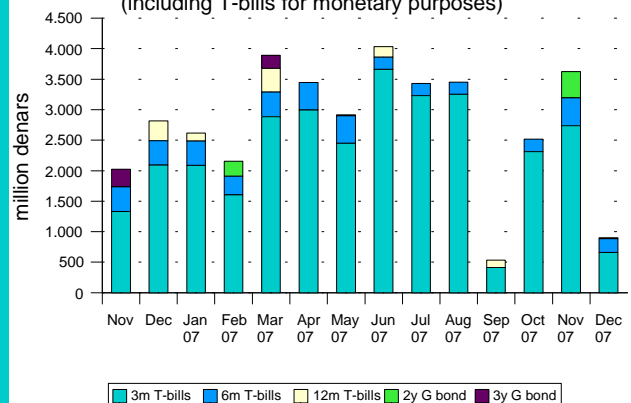


Source Ministry of Finance

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



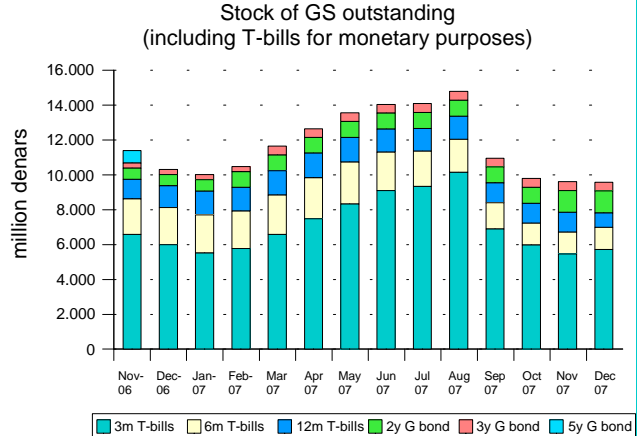
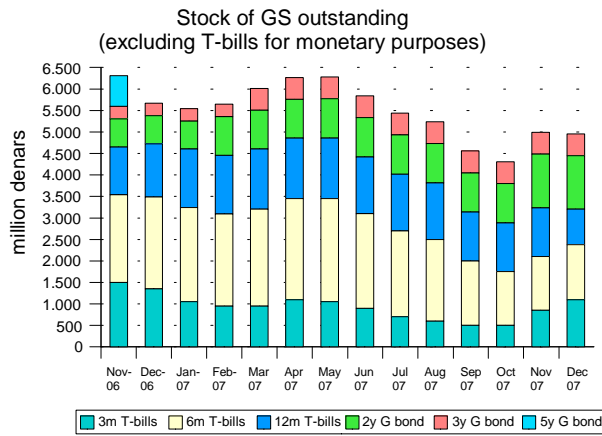
Issuance activity in 2006 and 2007, by month (including T-bills for monetary purposes)



Source Ministry of Finance

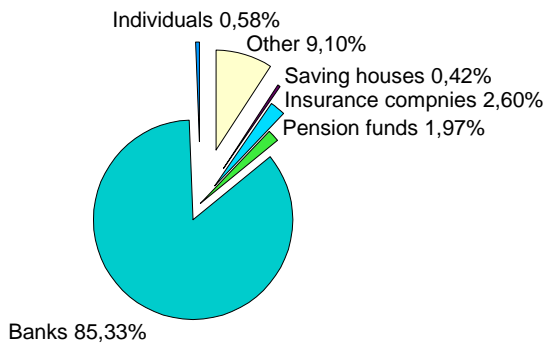


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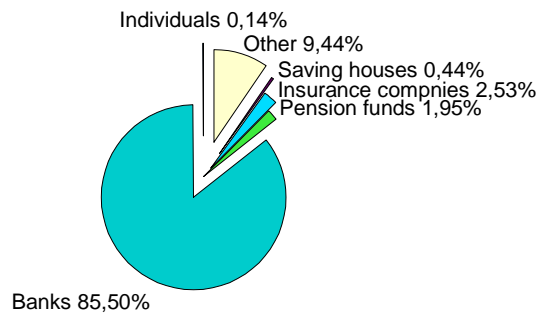


Source Ministry of Finance

Ownership structure of continuous GS outstanding, October 2007



Ownership structure of continuous GS outstanding, December 2007

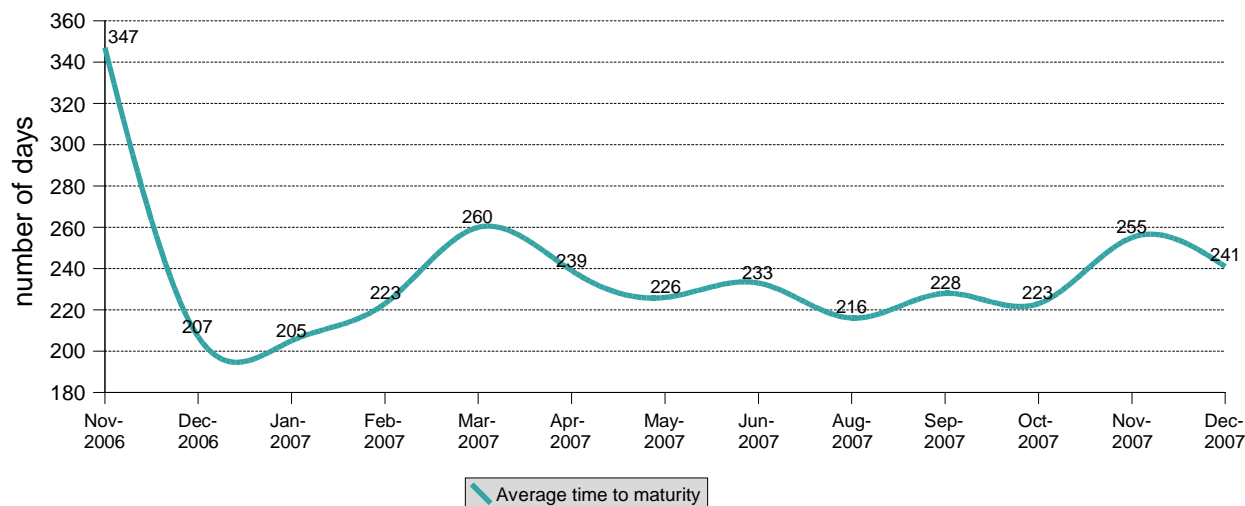


Source Ministry of Finance



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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	
	31th of October 2007	31th of December 2007	2 years		3 years		31th of October 2007	31th of December 2007
Duration*	31th of October 2007	31th of December 2007	31th of October 2007	31th of December 2007	31th of October 2007	31th of December 2007	31th of October 2007	31th of December 2007
Average days	88,80	85,30	296,65	413,42	728,11	702,53	214,60	235,11
Average years	0,24	0,23	0,81	1,13	1,99	1,92	0,59	0,64

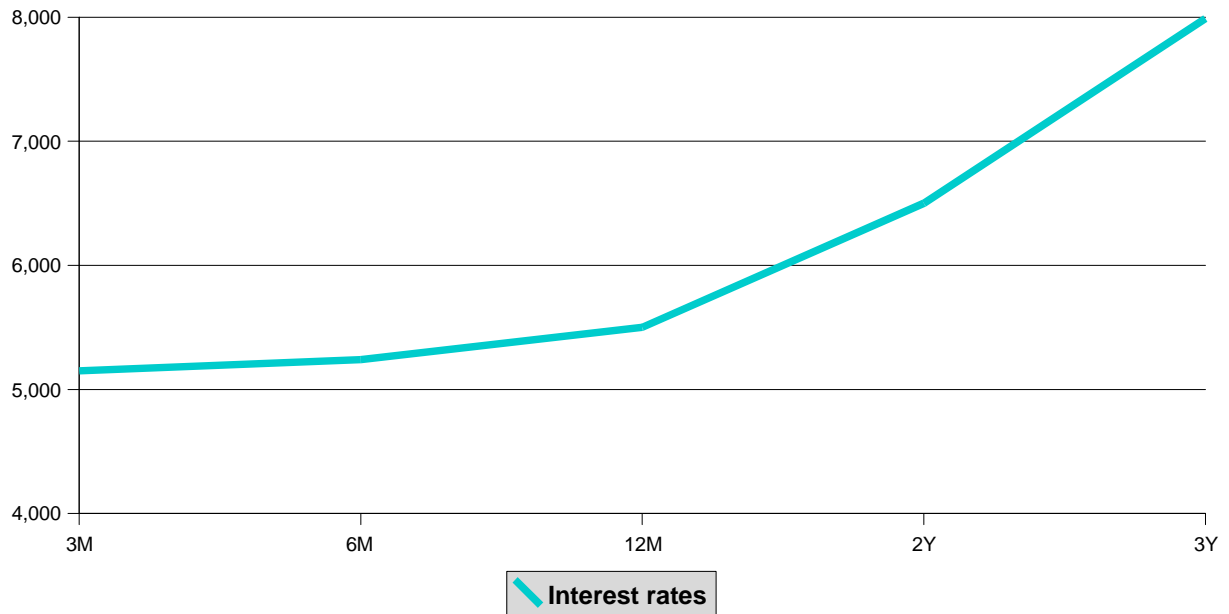
*Duration is an indicator showing the risk of interest rate variations. More precisely, this indicator shows how soon the interest rate changes would affect the debt-related cost, i.e. what is the change in the value of the fixed-income securities resulting from 1% variation in interest rates. When expressed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

November 2007	High (%)	Low (%)	Last daily average price (%)	Last trading day	Volume (NV in EUR)	Turnover (denars)	Turnover (EUR)	Yield to maturity
RM01	89,2	89	89,09	30.11.2007	149.167	8.138.416	132.922	8,05%
RMDEN01	85	85	85	27.11.2007	464	24.155	394	9,19%
RMDEN02	85,5	85,3	85,3	27.11.2007	550.673	28.770.854	469.794	7,86%
RMDEN03	85	82,9	84,1	30.11.2007	167.164	8.676.319	141.701	7,52%
RMDEN04	83	81,8	82,7	30.11.2007	242.953	12.243.909	200.113	7,35%
RMDEN05	82	80,1	81,1	30.11.2007	256.408	12.758.796	208.408	7,30%
RMDEN06	82,5	79,5	82,17	30.11.2007	363.160	18.087.909	295.495	6,33%

December 2007	High (%)	Low (%)	Last daily average price (%)	Last trading day	Volume (NV in EUR)	Turnover (denars)	Turnover (EUR)	Yield to maturity
RM01	89,4	89,1	89,3	28.12.2007	177.574	9.703.086	158.478	8,16%
RMDEN02	86	85,1	85,42	28.12.2007	146.962	7.687.675	125.533	7,97%
RMDEN03	85	84,1	84,5	21.12.2007	126.365	6.528.914	106.649	7,49%
RMDEN04	85	82,5	83,82	26.12.2007	336.028	17.185.833	280.548	7,05%
RMDEN05	85	81,3	84,9	28.12.2007	145.508	7.397.984	120.771	6,17%
RMDEN06	87	81,9	85,52	27.12.2007	455.488	23.168.284	378.413	5,44%

Source: Macedonian Stock Exchange

FOREIGN INVESTORS ON THE OFFICIAL MARKET

Foreign investors	Nov 2006	Dec 2006	Jan 2007	Feb 2007	Mar 2007	Apr 2007	May 2007	Jun 2007	Jul 2007	Avg 2007	Sep 2007	Oct 2007	Sep 2007	Oct 2007	Nov 2007	Dec 2007
Bonds*	10,96%	11,24%	11,15%	11,05%	10,73%	11,14%	10,33%	10,30%	10,22%	10,22%	1,32%	8,72%	1,32%	8,72%	8,58%	8,40%

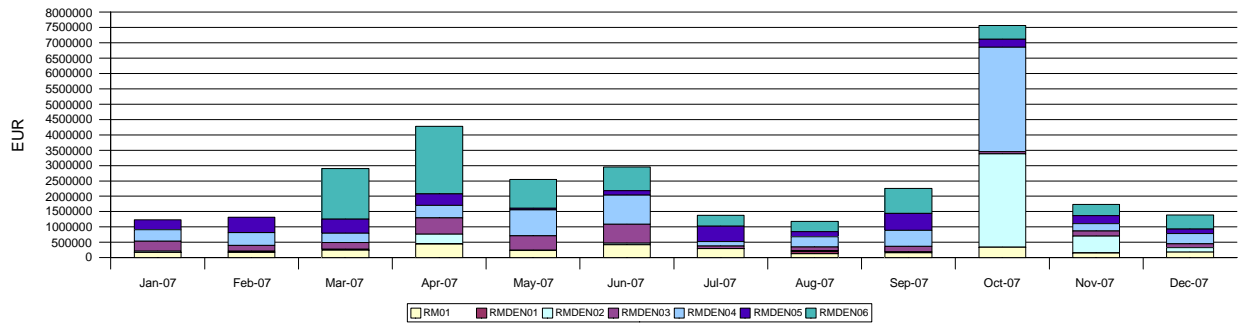
* Data as of end of the month, according to the Central Securities Depository, regarding the participation of the foreign investors in the total nominal value of bonds on the secondary market.

Source: Macedonian Stock Exchange



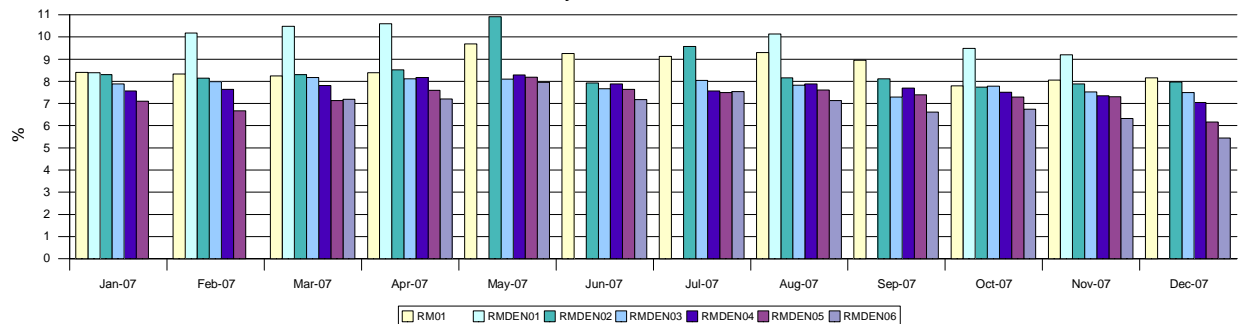
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Amount of trading with Government Securities



Source: Macedonian Stock Exchange

Yield to maturity of Government Securities



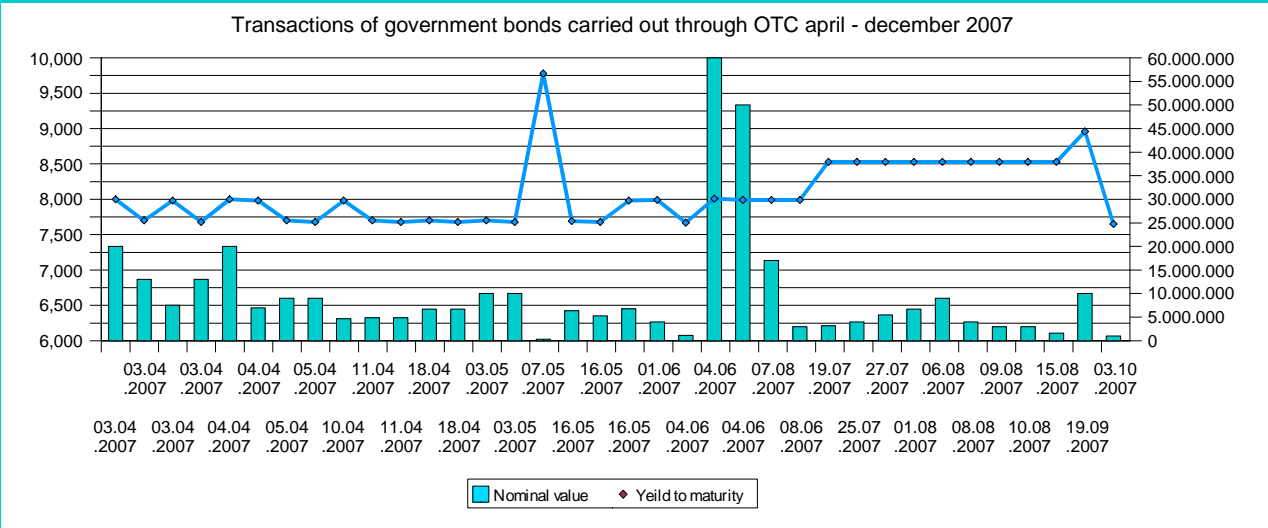
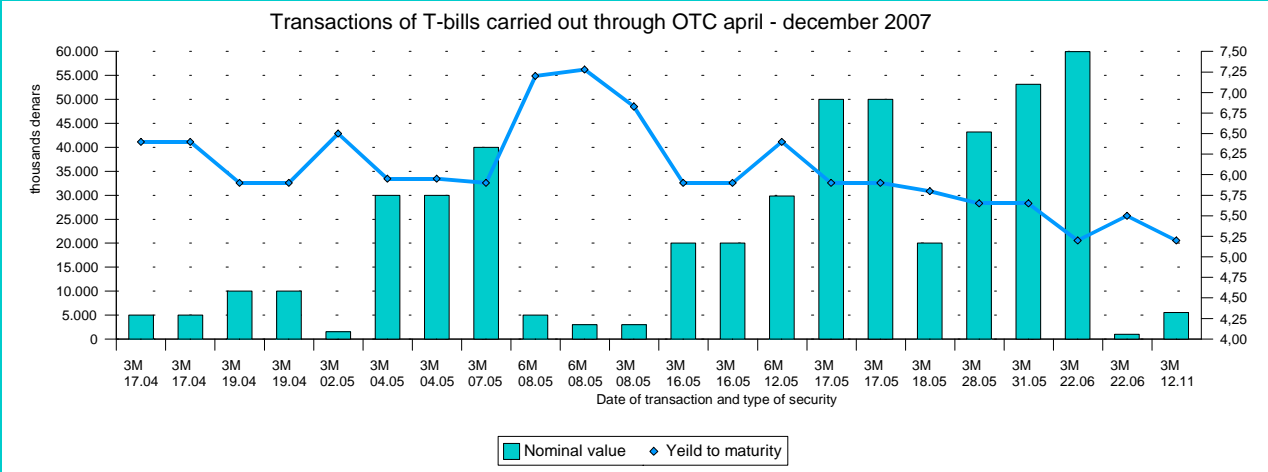
Source: Macedonian Stock Exchange



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2.2.2 Over the counter

Source: NBRM

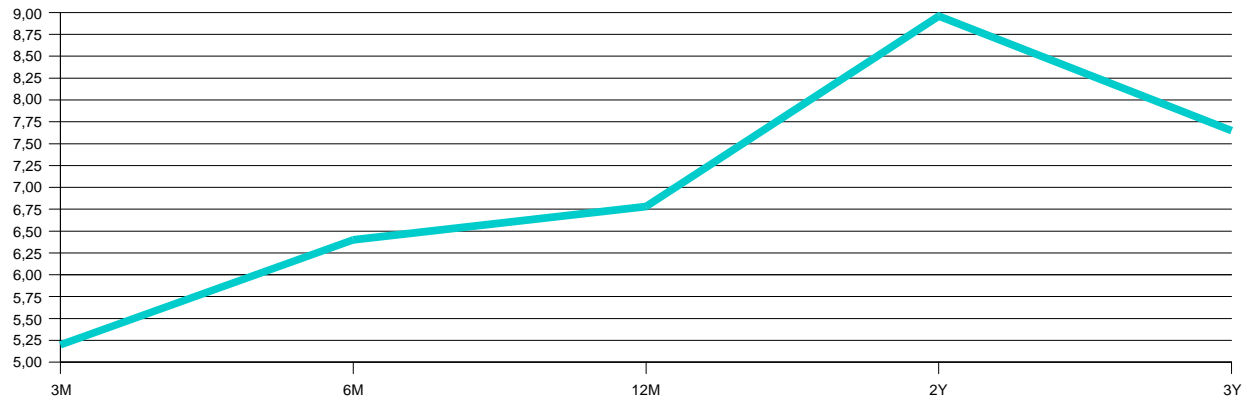


Source: NBRM



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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 SEMESTAR IN 2008

Quarter	Month	Auction code	Auction date	Payment date	Maturity date	Maturity (in days years)
I	January	DZ2008/01-91	08/01/08	09/01/08	09/04/08	91
		DZ2008/01-182	08/01/08	09/01/08	09/07/08	182
		DZ2008/02-91	22/01/08	23/01/08	23/04/08	91
		DZ2008/01-364	22/01/08	23/01/08	21/01/09	364
	February	DZ2008/03-91	05/02/08	06/02/08	07/05/08	91
		DZ2008/02-182	05/02/08	06/02/08	06/08/08	182
		DZ2008/04-91	19/02/08	20/02/08	21/05/08	91
		DO2008/01-0210	21/02/08	25/02/08	25/02/10	02
	March	DZ2008/05-91	04/03/08	05/03/08	04/06/08	91
		DZ2008/03-182	04/03/08	05/03/08	03/09/08	182
		DZ2008/06-91	18/03/08	19/03/08	18/06/08	91
		DZ2008/02-364	18/03/08	19/03/08	18/03/09	364
		DO2008/02-0311	27/03/08	31/03/08	31/03/11	03
II	April	DZ2008/07-91	08/04/08	09/04/08	09/07/08	91
		DZ2008/04-182	08/04/08	09/04/08	08/10/08	182
		DZ2008/08-91	22/04/08	23/04/08	23/07/08	91
		DO2008/03-0510	30/04/08	05/05/08	05/05/10	02
	May	DZ2008/09-91	06/05/08	07/05/08	06/08/08	91
		DZ2008/05-182	06/05/08	07/05/08	05/11/08	182
		DZ2008/10-91	20/05/08	21/05/08	20/08/08	91
	Jun	DZ2008/11-91	03/06/08	04/06/08	04/09/08	91
		DZ2008/06-182	03/06/08	04/06/08	03/12/08	182
		DZ2008/12-91	17/06/08	18/06/08	17/09/08	91
		DZ2008/03-364	17/06/08	18/06/08	18/06/08	364
		DO2008/04-0611	26/06/08	30/06/08	30/06/11	03

Source: Ministry of Finance

The Calendar for S1 in 2008 year is indicative and it can be a subject of changes due to the national and religious holidays



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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	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	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	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
12	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
13	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
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 poddrška na razvojt AD Skopje	Veljko Vlahovik 26	3239-688	3114-840 3115-844				
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.

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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