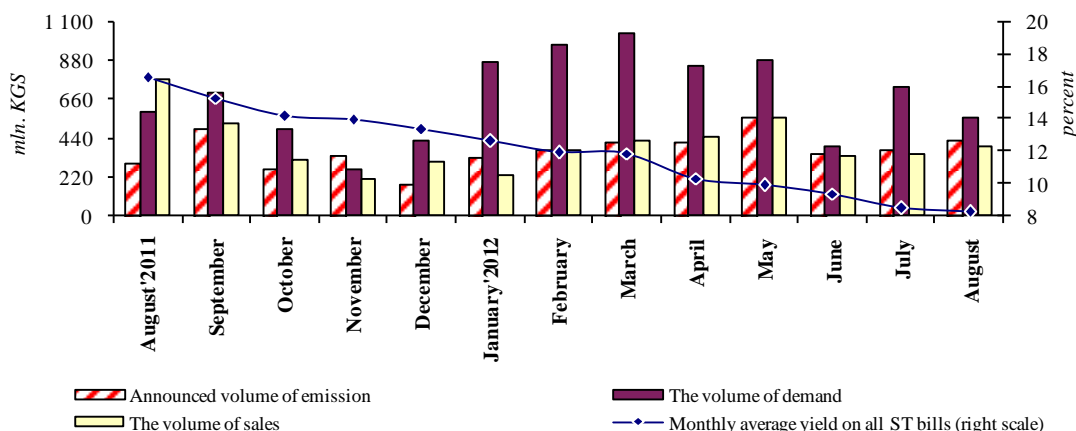


Market of state treasury bills (August 2012)

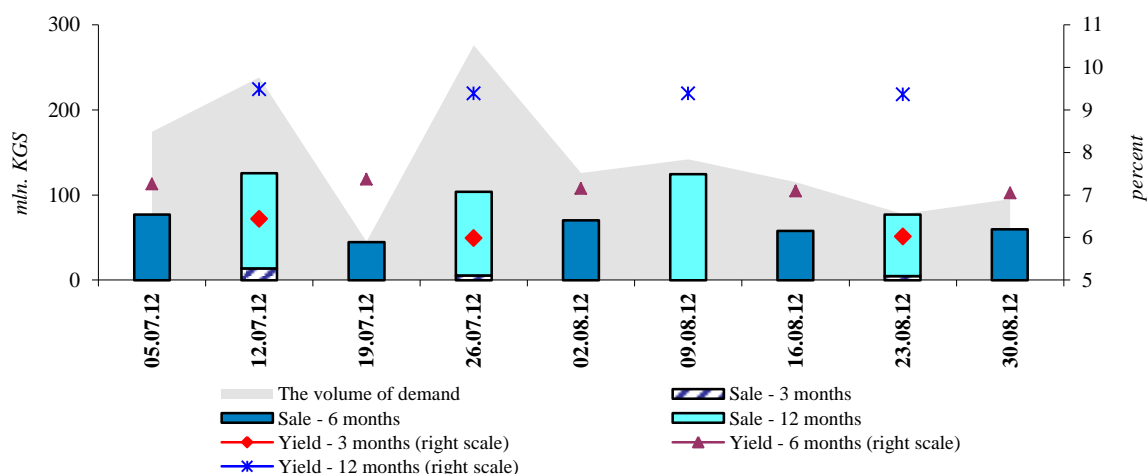
Graph 1. Demand and placement of state treasury bills



In August, the cumulative placement of state treasury bills of the Ministry of finance increased to 390.7 mln. KGS, by 10.8 percent, compared to the previous month. Activity of three commercial banks increased sales of 6-month STB by 53.8 percent. At the same time sales of 3- and 6-month STB, has decreased to 5.0 mln. KGS (-75.0 percent) and 197.2 mln. KGS (-6.1 percent), relatively. The overall average yield for all types of STB in the period under review constituted at a level of 8.2 percent, decreased in a month by 0.3 percentage point, by continuous decline of yield of all types of securities - average monthly yield of 3-month STB in August constituted 6.0 percent (-0.3 percentage points), 6-month STB – 7.1 percent (-0.2 percentage points) and 12-month STB – 9.4 percent (-0.1 percentage points).

The average auction¹ volume of demand in September constituted 111.1 million KGS, having decreased by 39.4 percent compared to the previous month; average auction volume of sales also decreased by 11.3 percent to 78.1 million KGS.

Graph 2. The dynamics of demand and sales and yield of the ST bills

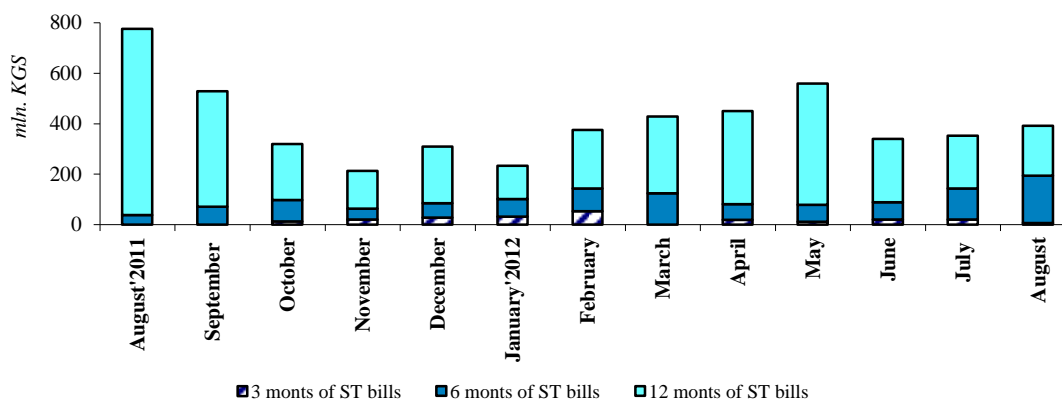


The value of the budget deficit net financing in August decreased to -417.2 million KGS. In the period under review, the Ministry of Finance redeemed state treasury bills valued at 726.3 million KGS. The effectiveness of the state treasury bills market since the beginning of the year, calculated as the ratio of the total value of net financing to total sales at actual cost, decreased compared to the end of July by 18.3 percentage points, constituted 13.0 percent. Duration index rose in a month from 157 days to 170 days, while in July there was a decrease of duration index by 4 days.

¹ This indicator is used instead of the total demand/supply for the month, as the number of auctions for the month is a volatile variable.

In August, compared to the previous month, the volume of state treasury bills in circulation has decreased to 3.9 billion KGS (-11.7) percent: the decline has affected portfolios of all major groups of securities holders except for non-resident individuals, having non-significant share in a total amount of securities in circulation. Comparing the share of portfolios of holders of STB, increase in the share of commercial banks from 75.5 to 82.0 was noted, while the share of second largest group of holders of securities, institutional investors, decreased by 5.5 percentage points, to 16.4 percent. Share of resident legal entities and resident individuals constituted 1.6, also decreased by 0.1 and 1.0 percentage points, relatively.

Graph 3. The dynamics of sales of ST bills



In the period under review operations with STB on the secondary market did not occur.

Table 1. The dynamics of average monthly yield of ST bills

Period	Weighted average yield	By types of urgency		
		3-month ST bills	6-month ST bills	12-month ST bills
August'2011	16,5	-	13,6	17,0
September	15,3	-	13,3	15,6
October	14,2	8,1	13,4	15,0
November	14,0	6,9	13,4	15,0
December	13,4	6,6	13,3	14,9
January'2012	12,7	6,4	12,5	14,3
February	12,0	6,5	11,3	13,4
March	11,9	-	10,7	12,3
April	10,3	6,5	8,8	10,8
May	9,9	6,6	8,1	10,2
June	9,4	6,6	7,8	10,0
July	8,5	6,3	7,3	9,4
August	8,2	6,0	7,1	9,4

"-" all announced auctions were declared invalid