

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT

May 2020

The Central Government Debt increased by HUF 1,474.8 billion to HUF 31,156.7 billion by May 2020. Total net issuance was HUF 1,155.6 billion; out of which net HUF-denominated issuance was HUF 1,153.3 billion and net foreign currency denominated issuance was HUF 2.3 billion in 2020.

CENTRAL GOVERNMENT DEBT

(HUF billion)	2019		2020		Change	
	December	%	May	%	HUF billion	%
HUF denominated debt	24,357.1	82.1	25,510.4	81.9	1,153.3	4.7
Loans	1,208.1	4.1	1,161.6	3.7	-46.5	-3.8
Government bonds	13,417.7	45.2	14,724.9	47.3	1,307.3	9.7
Retail securities	9,074.0	30.6	8,754.9	28.1	-319.1	-3.5
Discount treasury bills	657.3	2.2	868.9	2.8	211.6	32.2
Foreign exchange denominated debt	5,121.2	17.3	5,365.8	17.2	244.6	4.8
Total	29,478.3	99.3	30,876.3	99.1	1,398.0	4.7
<i>Other obligations</i>	203.7	0.7	280.5	0.9	76.8	37.7
Total central government debt	29,682.0	100.0	31,156.7	100.0	1,474.8	5.0

The HUF denominated debt of the central government increased by HUF 1,153.3 billion in 2020. The increase in domestic debt was the result of the net government bond issuance of HUF 1,307.3 billion and the increase of discount Treasury bills by HUF 211.6 billion. The total amount of retail government securities decreased by HUF 319.1 billion. The decrease was mainly due to the precarious situation caused by the coronavirus epidemic. As a result of restrictions on movement, the demand for retail government securities decreased significantly, however the sale of the 5-year long Hungarian Government Securities Plus accounted for the majority. The stock of non-marketable government bonds hasn't changed. The volume of HUF loans decreased by HUF 46.5 billion in 2020.

The foreign currency debt of the central government increased by HUF 244.6 billion in 2020. The foreign currency debt was increased by the HUF 353.6 billion (1bn EUR) 6-year foreign currency bonds and the HUF 353.6 billion (1bn EUR) 12-year foreign currency bonds issued in April. Foreign currency debt was further increased by the issuance of domestic foreign currency bonds by HUF 14.9 billion and the drawdown of foreign currency loans by HUF 27.7 billion. The exchange rate revaluations totalling HUF 242.4 billion increased the Hungarian forint value of the foreign currency debt. The redemptions of foreign currency bonds and loans worth HUF 747.9 billion. The total amount of other liabilities increased by HUF 76.8 billion in 2020.

BENCHMARK YIELDS

Maturity	31.12.2019	30.04.2020	29.05.2020	Change in May basis point
3-month	-0.01	0.95	0.72	-23
6-month	0.01	0.89	0.82	-7
1-year	0.02	1.09	0.82	-27
3-year	0.28	1.44	1.19	-25
5-year	1.17	1.45	1.50	5
10-year	2.01	1.95	1.91	-4
15-year	2.80	2.35	2.23	-12
20-year	-	-	2.41	-

*From 20 May 2020, a new 20-year Hungarian Government Bond was added to the list of the benchmark securities.

Monthly OTC turnover of government securities decreased by 5% to HUF 4,683.3 billion in May. Primary dealers, who account for the decisive part of all secondary government securities trading, made 59% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities increased altogether by HUF 317.1 billion in May and amounted to HUF 4,355.8 billion at the end of the month. This volume represented 17.9% of the total amount of domestic government securities.

The EUR/HUF exchange rate according to the National Bank of Hungary was 348.35 on the last working day of May.

The credit rating of the long-term foreign currency debt of Hungary is as follows on the last working day of May: BBB (Standard & Poor's); Baa3 (Moody's); BBB (Fitch).

GOVERNMENT SECURITIES MARKET

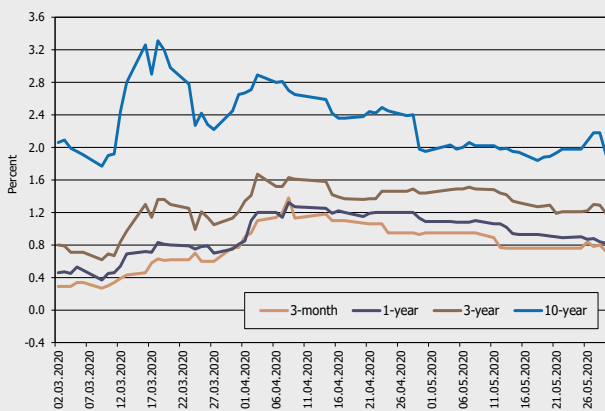
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

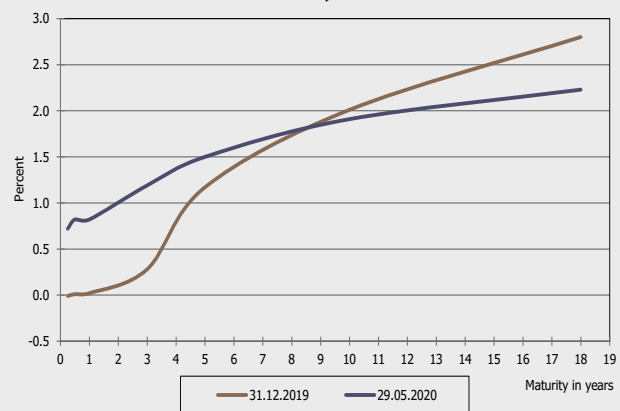
	2015	2016	2017	2018	2019	2020 March	2020 April	2020 May
1. Forint denominated debt	16,207.9	18,430.9	20,689.4	22,796.0	24,357.1	25,275.0	25,199.6	25,510.4
1.1. Loans	694.1	865.0	1,041.1	1,167.7	1,208.1	1,161.6	1,161.6	1,161.6
1.2. Government securities	15,513.8	17,565.8	19,648.3	21,628.3	23,149.0	24,113.4	24,038.0	24,348.8
1.2.1. Public issues	15,462.3	17,526.7	19,609.2	21,589.1	23,109.8	24,074.3	23,998.8	24,309.6
1.2.1.1. Bonds	11,043.4	11,562.4	11,767.1	12,836.1	13,378.5	14,090.6	14,351.6	14,685.8
1.2.1.2. Discount T-bills	901.6	896.4	1,039.2	1,237.3	657.3	880.1	823.8	868.9
1.2.1.3. Retail securities	3,517.4	5,067.9	6,802.9	7,515.7	9,074.0	9,103.6	8,823.4	8,754.9
1.2.2. Private placements	51.5	39.2	39.2	39.2	39.2	39.2	39.2	39.2
2. Foreign currency denominated debt*	7,735.8	6,256.5	5,782.5	5,724.8	5,121.2	4,786.1	5,412.2	5,365.8
2.1. Loans	1,696.8	1,101.6	929.1	795.0	825.4	899.4	884.2	896.9
2.1.1. Foreign loans	1,614.2	1,097.6	929.1	795.0	825.4	899.4	884.2	896.9
2.1.2. Domestic loans	82.6	4.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2. Government securities	6,039.0	5,154.9	4,853.5	4,929.8	4,295.8	3,886.7	4,528.0	4,469.0
2.2.1. Issued abroad	5,198.9	4,618.9	4,145.9	4,246.2	3,713.5	3,243.4	3,894.5	3,843.0
2.2.2. Issued domestically	840.1	536.0	707.6	683.6	582.3	643.3	633.5	626.0
Total	23,943.7	24,687.4	26,472.0	28,520.7	29,478.3	30,061.2	30,611.8	30,876.3
Other liabilities	756.00	742.70	274.20	167.40	203.7	325.7	313.9	280.5
Total central government debt	24,699.7	25,430.0	26,746.2	28,688.2	29,682.0	30,386.8	30,925.7	31,156.7
Marketable HUF debt (1.2.1.1+1.2.1.2+1.2.2)	11,996.5	12,498.0	12,845.5	14,112.6	14,075.0	15,009.9	15,214.6	15,593.9
Gross debt/GDP	71.0%	70.8%	68.9%	67.2%	63.5%			

*Foreign exchange debt is recorded at the mid exchange rate of the NBH at the end of the year/month.

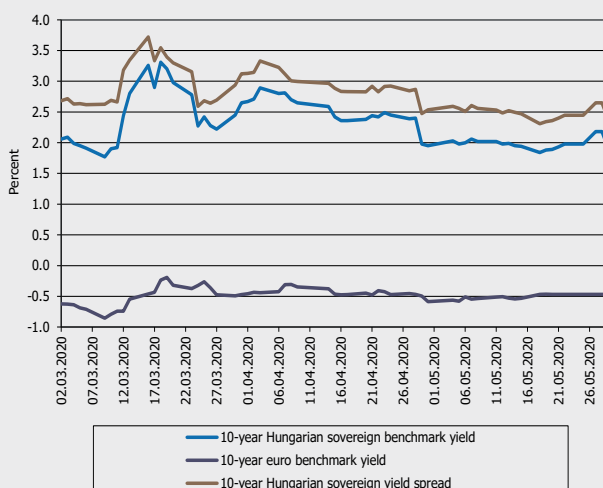
Benchmark yields



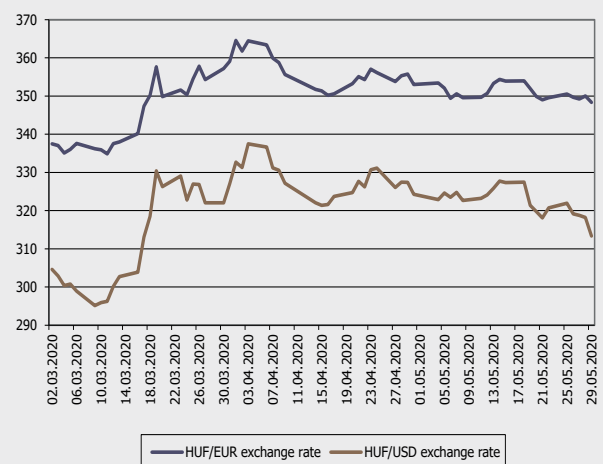
Benchmark yield curves



10-year Hungarian and eurozone benchmark yields



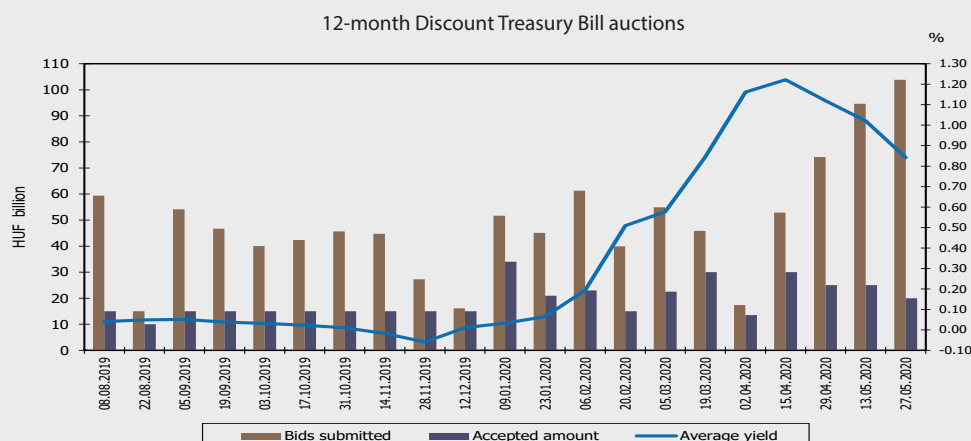
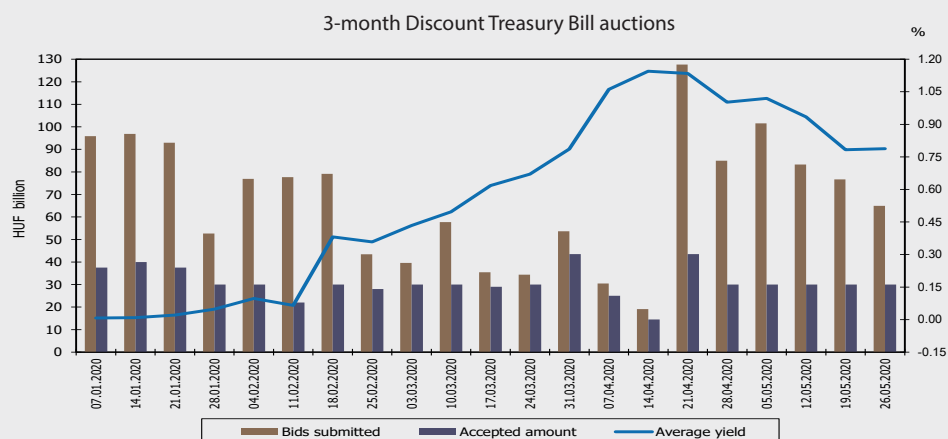
The exchange rate of the Hungarian Forint



GOVERNMENT SECURITIES MARKET

DISCOUNT TREASURY BILL AUCTION RESULTS

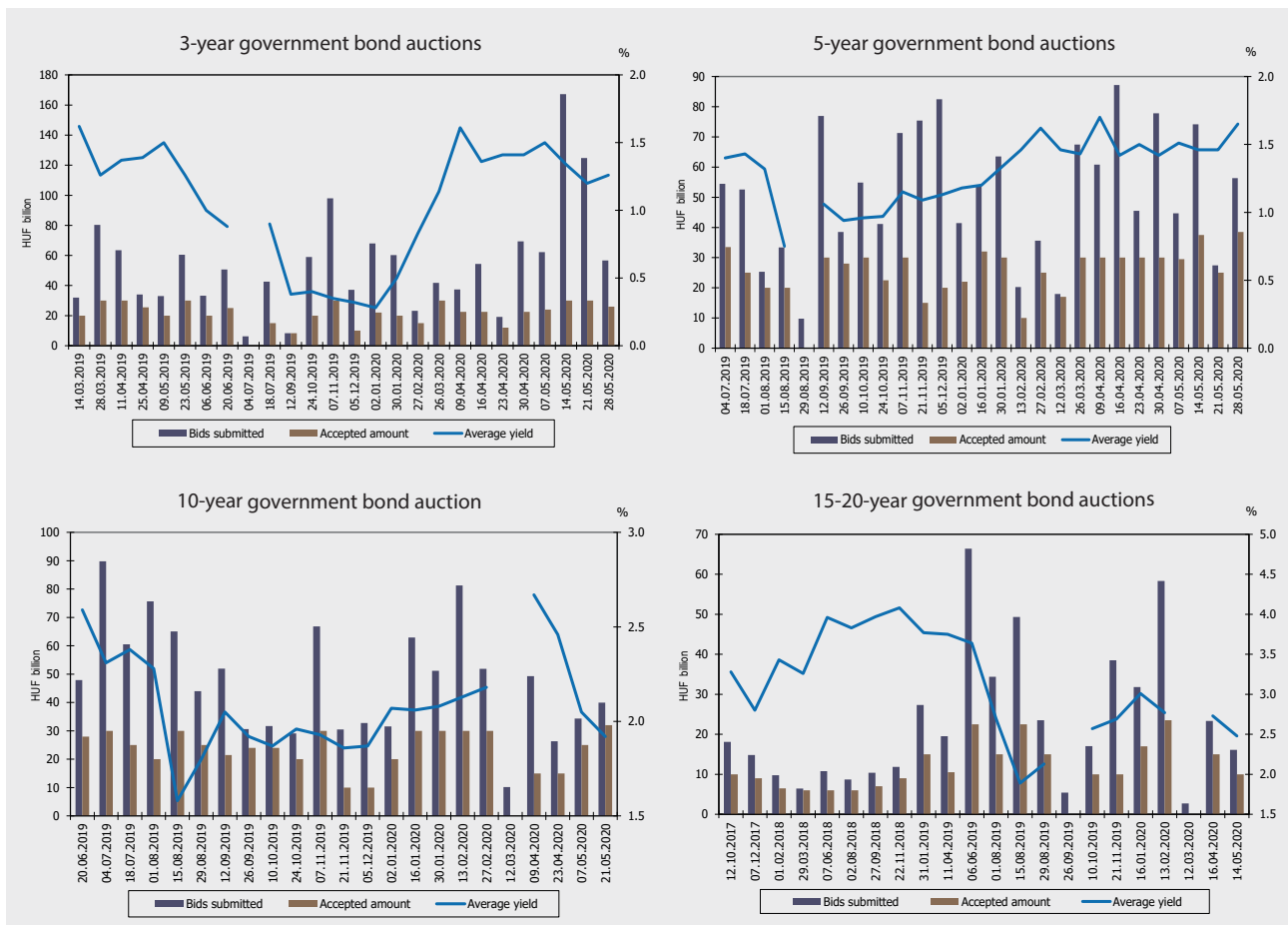
	3-month Discount T-bills				12-month Discount T-bills	
Code of T-bills	D200812	D200819	D200826	D200902	D210421	D210421
ISIN code	HU0000523105	HU0000523139	HU0000522735	HU0000523113	HU0000523071	HU0000523071
Maturity in days	91	91	91	91	336	322
Date of auction	05.05.2020	12.05.2020	19.05.2020	26.05.2020	13.05.2020	27.05.2020
Date of financial settlement	13.05.2020	20.05.2020	27.05.2020	03.06.2020	20.05.2020	03.06.2020
Redemption date	12.08.2020	19.08.2020	26.08.2020	02.09.2020	21.04.2021	21.04.2021
Maximum yield (%) - ISMA	1.05	0.97	0.86	0.82	1.04	0.86
Minimum yield (%) - ISMA	0.94	0.90	0.72	0.70	1.00	0.80
Average yield (%) - ISMA	1.02	0.93	0.78	0.79	1.02	0.84
Maximum yield (%) - EHM	1.06	0.98	0.87	0.83	1.05	0.87
Minimum yield (%) - EHM	0.95	0.91	0.73	0.71	1.01	0.81
Average yield (%) - EHM	1.03	0.95	0.79	0.80	1.04	0.85
Average selling price (%)	99.7429	99.7644	99.8025	99.8013	99.0557	99.2527
Amount offered for sale (HUF million)	30,000.00	30,000.00	30,000.00	30,000.00	25,000.00	20,000.00
Amount of bids submitted (HUF million)	101,553.50	83,300.00	76,693.00	64,930.50	94,634.85	103,878.70
Amount of bids accepted (HUF million)	29,999.96	30,000.00	30,000.00	29,999.97	24,999.97	19,999.97
Bid-to-cover ratio	3.39	2.78	2.56	2.16	3.79	5.19
Bids submitted (pcs)	68	73	75	74	91	84
Bids accepted (pcs)	37	32	42	34	26	19
Market sales* (HUF million)	29,999.96	30,000.00	30,000.00	29,999.97	24,999.97	19,999.97
Retained on ÁKK's own account (HUF million)	9,000.04	9,000.00	9,000.00	9,000.03	25,000.03	20,000.03
Total amount issued (HUF million)	39,000.00	39,000.00	39,000.00	39,000.00	50,000.00	40,000.00
* Without issuance onto ÁKK's own account						



GOVERNMENT SECURITIES MARKET

GOVERNMENT BOND AUCTION RESULTS

Government Bond	2023/C	2025/C	2030/A	2027/B	2023/C	2025/C	2041/A	2023/C	2025/C	2030/A	2023/C	2025/C
ISIN code	HU00000404280	HU00000404058	HU00000403696	HU00000404157	HU00000404280	HU00000404058	HU00000404165	HU00000404280	HU00000404058	HU00000403696	HU00000404280	HU00000404058
Maturity (in years)	3	5	10	7	3	5	20	3	5	10	3	5
Coupon	1.50%	1.00%	3.00%	0.16%	1.50%	1.00%	3.00%	1.50%	1.00%	3.00%	1.50%	1.00%
Auction	5th auction	15th auction	29th auction	7th auction	6th auction	16th auction	3rd auction	7th auction	17th auction	30th auction	8th auction	18th auction
Date of auction	07.05.2020	07.05.2020	07.05.2020	13.05.2020	14.05.2020	14.05.2020	14.05.2020	21.05.2020	21.05.2020	21.05.2020	28.05.2020	28.05.2020
Date of financial settlement	13.05.2020	13.05.2020	13.05.2020	20.05.2020	20.05.2020	20.05.2020	20.05.2020	27.05.2020	27.05.2020	27.05.2020	03.06.2020	03.06.2020
Redemption date	23.08.2023	26.11.2025	21.08.2030	22.04.2027	23.08.2023	26.11.2025	25.04.2041	23.08.2023	26.11.2025	21.08.2030	23.08.2023	26.11.2025
Maximum annual yield (%) - ISMA	1.51	1.53	2.09	-	1.35	1.48	2.50	1.22	1.50	1.95	1.28	1.68
Minimum annual yield (%) - ISMA	1.48	1.49	2.01	-	1.33	1.44	2.45	1.19	1.43	1.89	1.23	1.61
Average annual yield (%) - ISMA	1.50	1.51	2.05	-	1.34	1.46	2.48	1.20	1.46	1.92	1.26	1.65
Maximum annual yield (%) - EHM	1.51	1.53	2.09	-	1.35	1.47	2.50	1.22	1.50	1.95	1.28	1.68
Minimum annual yield (%) - EHM	1.48	1.49	2.01	-	1.33	1.44	2.45	1.19	1.43	1.89	1.23	1.61
Average annual yield (%) - EHM	1.50	1.51	2.05	-	1.34	1.46	2.48	1.20	1.46	1.92	1.26	1.65
Maximum price (%)	100.0625	97.4158	109.1041	95.5200	100.5400	97.6850	108.9090	100.9781	97.7435	110.2370	100.8459	96.8264
Minimum price (%)	99.9672	97.2082	108.3306	94.9400	100.4750	97.5010	108.0600	100.8840	97.3814	109.6522	100.6883	96.4697
Average price (%)	99.9954	97.2898	108.6984	95.2600	100.5165	97.5803	108.3634	100.9324	97.5694	109.9036	100.7552	96.6237
Amount offered for sale (HUF million)	20,000.00	25,000.00	25,000.00	10,000.00	20,000.00	25,000.00	10,000.00	20,000.00	25,000.00	25,000.00	20,000.00	30,000.00
Amount of bids submitted (HUF million)	62,218.00	44,710.00	34,335.00	32,562.00	167,200.00	74,200.00	16,090.00	124,800.00	27,443.31	39,990.00	56,610.00	56,312.17
Amount of bids accepted (HUF million)	23,999.96	29,499.99	25,000.00	10,000.00	29,999.99	37,500.00	9,999.98	30,000.00	25,000.00	31,999.96	25,999.97	38,500.00
Bid-to-cover ratio	2.59	1.52	1.37	3.26	5.57	1.98	1.61	4.16	1.10	1.25	2.18	1.46
Bids submitted (pcs)	45	30	52	38	75	59	50	55	30	61	61	57
Bids accepted (pcs)	18	19	45	19	20	33	26	16	28	40	33	41
Tail (%) (average price - minimum price)	0.03	0.08	0.37	0.32	0.04	0.08	0.30	0.05	0.19	0.25	0.07	0.15
Market sales (HUF million)	23,999.96	29,499.99	25,000.00	10,000.00	29,999.99	37,500.00	9,999.98	30,000.00	25,000.00	31,999.96	25,999.97	38,500.00
Non-competitive offer (HUF million)	6,965.25	1,984.19	4,119.60	2,495.20	9,850.90	4,920.00	2,829.99	6,260.00	0.00	4,058.47	6,318.10	7,360.00
Total amount sales (HUF million)	30,965.21	31,484.18	29,119.60	12,495.20	39,850.89	42,420.00	12,829.97	36,260.00	25,000.00	36,058.43	32,318.07	45,860.00



GOVERNMENT SECURITIES MARKET

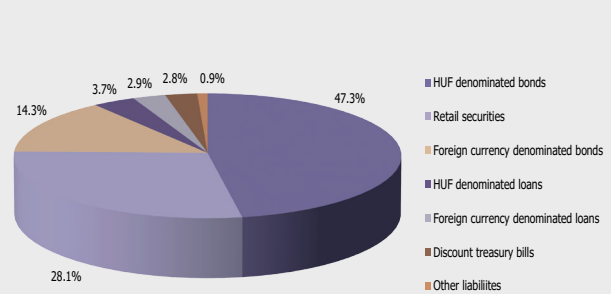
INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN MAY 2020

Government bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate	Interest payable
2021/J	22.05.2020	26.05.2020	26.05.2021	26.05.2021	4.65%	4.65%

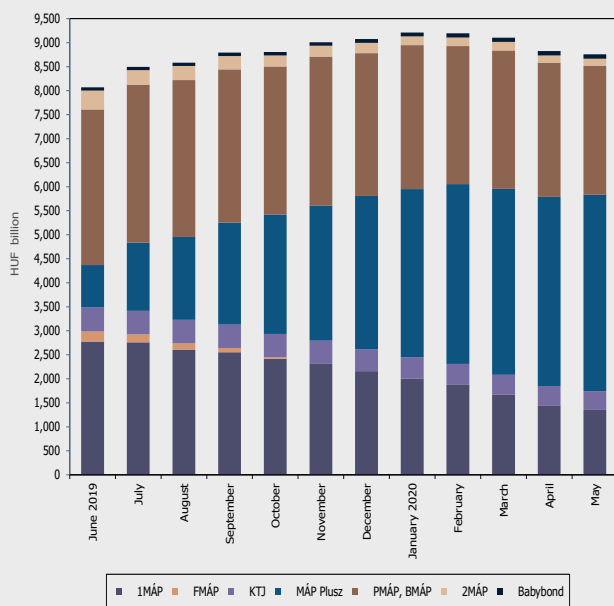
OUTSTANDING AMOUNT OF RETAIL SECURITIES

Retail securities	HUF billion		
	31.12.2019	31.05.2020	Change
1-year Hungarian Government Security / 1MÁP	2,158.0	1,350.3	-807.7
Treasury Saving Bills / KTJ	455.1	392.6	-62.5
Hungarian Government Security Plus / MÁP Plusz	3,196.2	4,089.8	893.6
Premium and Bonus Hungarian Government Securities / PMÁP, BMÁP	2,969.8	2,680.1	-289.7
2-year Hungarian Government Security / 2MÁP	215.2	150.8	-64.3
Babybond	79.7	91.3	11.6
Total	9,074.0	8,754.9	-319.1

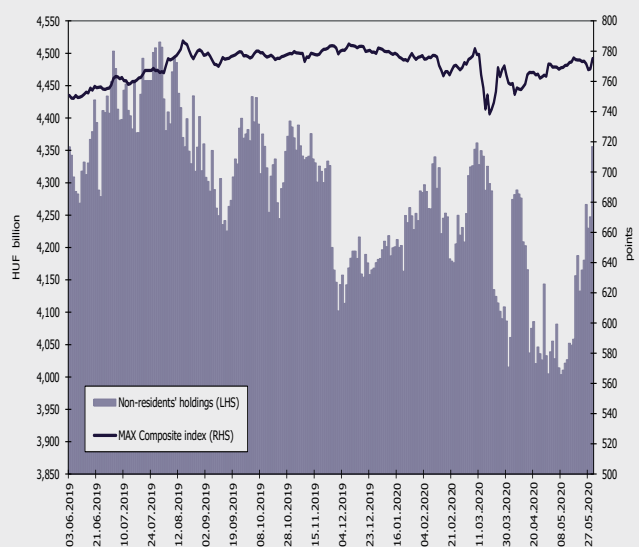
Debt structure at 31.05.2020



Outstanding amount of retail securities



Non-residents' holdings of Hungarian government securities and the MAX index



GOVERNMENT SECURITIES MARKET

HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index	HMAX index*
Value as at 29.05.2020	821.0360	553.8503	775.0742	536.3502	99.8368
Changes compared to the end of the month before	4.2942	1.4827	3.8021	0.6450	0.4230
Annual yield earned on the index portfolio (%)	4.47	-0.09	4.10	0.09	-

* HMAX government bond index with a maturity of over three years was introduced from 01.01.2020.

BENCHMARK INDICES**

** Government Debt Management Agency (ÁKK) discontinued the publication of BMX indices from 31 March 2020.

Government bonds with the highest secondary market turnover in May 2020

Government bond	Date of redemption	Turnover (HUF billion)
2030/A	21.08.2030	429.0
2023/C	23.08.2023	392.5
2025/B	24.06.2025	387.4
2031/A	22.10.2031	264.2
2025/C	26.11.2025	259.3
2024/C	24.10.2024	257.6
2022/B	26.10.2022	246.3
2026/D	22.12.2026	200.0
2028/A	22.10.2028	173.4
2020/A	12.11.2020	171.7

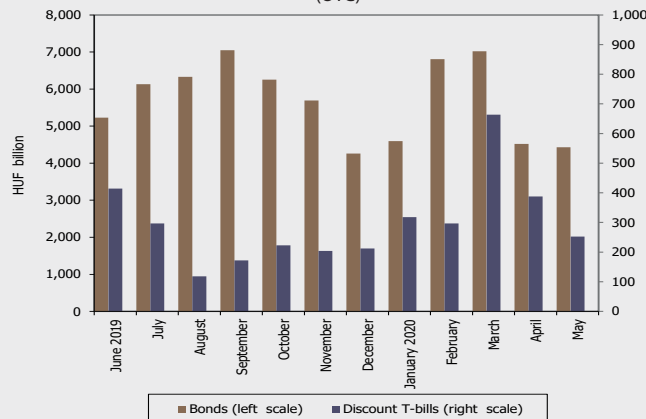
The outstanding volume of government bonds with benchmark status at the end of May 2020

Government bond	HUF billion	
	30.04.2020	31.05.2020
2022/C	459.09	406.65
2024/C	1,134.40	1,134.32
2030/A	818.20	883.47
2038/A	240.07	255.60

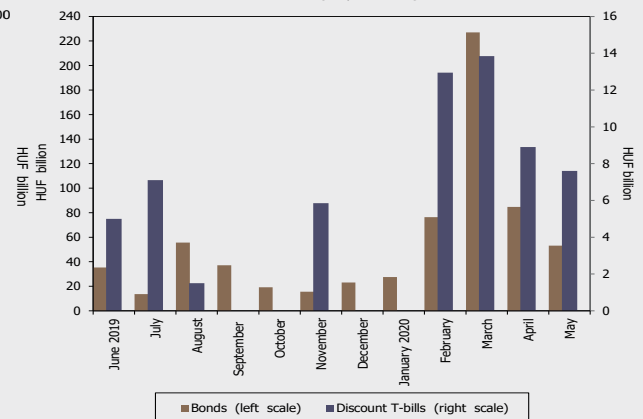
The outstanding volume of the three largest government bonds at the end of May 2020

Government bond	HUF billion
2027/A	1,206.00
2025/B	1,200.11
2024/C	1,134.32

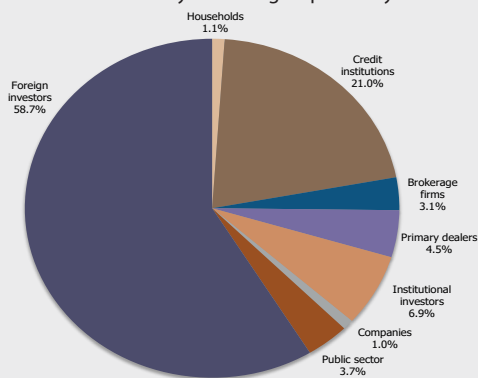
Secondary market trading of Hungarian government securities (OTC)



Secondary market trading of Hungarian government securities (MTS Hungary trading)



Breakdown of primary dealers' secondary market turnover in Government Bonds by investor groups in May 2020



Breakdown of primary dealers' secondary market turnover in Discount Treasury Bills by investor groups in May 2020

