

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT JULY 2019

The net issuance was HUF 325.3 billion; out of which net HUF-denominated issuance was HUF 790.9 billion and net foreign currency denominated redemption was HUF 465.5 billion in 2019.

CENTRAL GOVERNMENT DEBT

(HUF billion)	2018		2019		Change	
	December	%	July	%	HUF billion	%
HUF denominated debt	22,796.0	79.5	23,586.8	81.0	790.9	3.5
Loans	1,167.7	4.1	1,173.5	4.0	5.8	0.5
Government bonds	12,875.2	44.9	13,051.3	44.8	176.0	1.4
Retail securities	7,515.7	26.2	8,494.2	29.2	978.5	13.0
Discount treasury bills	1,237.3	4.3	867.8	3.0	-369.5	-29.9
Foreign exchange denominated debt	5,724.8	20.0	5,350.0	18.4	-374.7	-6.5
Total	28,520.7	99.4	28,936.8	99.3	416.1	1.5
<i>Other obligations</i>	167.4	0.6	193.2	0.7	25.8	15.4
Total central government debt	28,688.2	100.0	29,130.0	100.0	441.9	1.5

The HUF denominated debt of the central government increased by HUF 790.9 billion in 2019. The increase in domestic debt was the result of the net government bond issuance of HUF 176.0 billion and the total amount of retail government securities increased by HUF 978.5 billion. The significant increase of the retail government securities portfolio was mainly due to the new introduced 5-year long government security, the Hungarian Government Security Plus. The amount of discount Treasury bills decreased by HUF 369.5 billion. The stock of non-marketable government bonds hasn't changed. The volume of HUF loans increased by HUF 5.8 billion in 2019.

The foreign currency debt of the central government decreased by HUF 374.7 billion in 2019. The domestic PÉMAK bond issuance was HUF 30.5 billion and the drawdown from foreign currency credit line was HUF 7.8 billion. The redemptions of foreign currency bonds worth HUF 502.7 billion and the repayment of the foreign currency was HUF 1.2 billion. The exchange rate revaluations totalling HUF 90.8 billion increased the Hungarian Forint value of the foreign currency debt in 2019. The total amount of other liabilities increased by HUF 25.8 billion in 2019.

BENCHMARK YIELDS

Maturity	28.12.2018	28.06.2019	31.07.2019	Change in July basis point
3-month	0.00	0.21	0.05	-16
6-month	0.12	0.13	0.07	-6
1-year	0.39	0.23	0.05	-18
3-year	1.21	0.91	0.76	-15
5-year	2.46	1.61	1.25	-36
10-year	3.01	2.63	2.28	-35
15-year	3.78	3.33	2.66	-67

Monthly OTC turnover of government securities increased by 14% to HUF 6,428.6 billion in July. Primary dealers, who account for the decisive part of all secondary government securities trading, made 82% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities increased altogether by HUF 75.3 billion in July and amounted to HUF 4,509.2 billion at the end of the month. This volume represented 20.1% of the total amount of domestic government securities.

The EUR/HUF exchange rate according to the National Bank of Hungary was 327.15 on the last working day of July.

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

GOVERNMENT SECURITIES MARKET

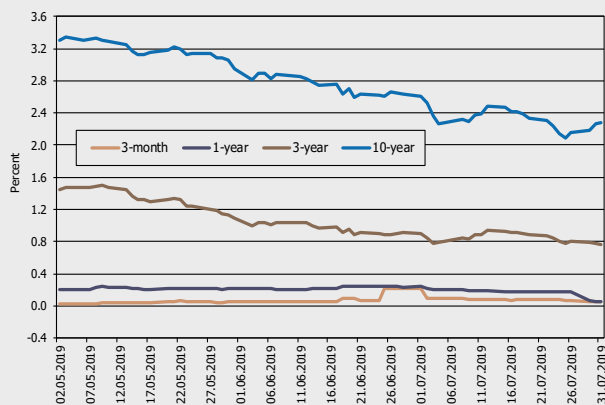
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

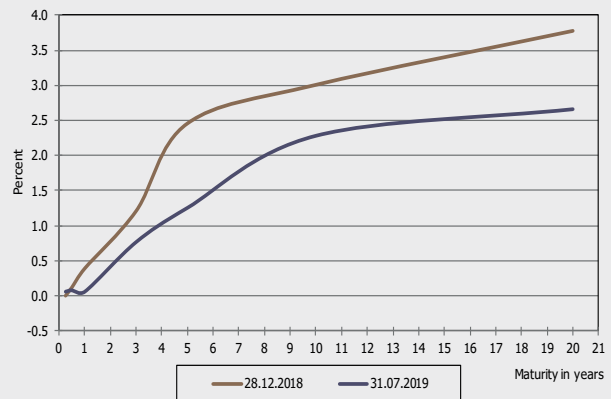
	2014	2015	2016	2017	2018	2019 May	2019 June	2019 July
1. Forint denominated debt	14,612.0	16,207.9	18,430.9	20,689.4	22,796.0	23,377.8	23,349.2	23,586.8
1.1. Loans	623.3	694.1	865.0	1,041.1	1,167.7	1,173.5	1,173.5	1,173.5
1.2. Government securities	13,988.7	15,513.8	17,565.8	19,648.3	21,628.3	22,204.3	22,175.7	22,413.3
1.2.1. Public issues	13,847.7	15,462.3	17,526.7	19,609.2	21,589.1	22,165.1	22,136.5	22,374.1
1.2.1.1. Bonds	9,848.0	11,043.4	11,562.4	11,767.1	12,836.1	13,739.8	13,035.0	13,012.1
1.2.1.2. Discount T-bills	1,588.6	901.6	896.4	1,039.2	1,237.3	972.3	1,033.6	867.8
1.2.1.3. Retail securities	2,411.1	3,517.4	5,067.9	6,802.9	7,515.7	7,453.0	8,067.9	8,494.2
1.2.2. Private placements	141.0	51.5	39.2	39.2	39.2	39.2	39.2	39.2
2. Foreign currency denominated debt*	8,957.9	7,735.8	6,256.5	5,782.5	5,724.8	5,343.1	5,305.1	5,350.0
2.1. Loans	2,164.3	1,696.8	1,101.6	929.1	795.0	811.1	807.1	815.8
2.1.1. Foreign loans	1,889.9	1,614.2	1,097.6	929.1	795.0	811.1	807.1	815.8
2.1.2. Domestic loans	274.4	82.6	4.0	0.0	0.0	0.0	0.0	0.0
2.2. Government securities	6,793.6	6,039.0	5,154.9	4,853.5	4,929.8	4,532.1	4,498.1	4,534.2
2.2.1. Issued abroad	5,844.6	5,198.9	4,618.9	4,145.9	4,246.2	3,819.9	3,784.4	3,809.1
2.2.2. Issued domestically	948.9	840.1	536.0	707.6	683.6	712.1	713.7	725.1
Total	23,569.9	23,943.7	24,687.4	26,472.0	28,520.7	28,720.9	28,654.3	28,936.8
Other liabilities	311.20	756.00	742.70	274.20	167.40	184.3	199.7	193.2
Total central government debt	23,881.1	24,699.7	25,430.0	26,746.2	28,688.2	28,905.2	28,854.0	29,130.0
Marketable HUF debt (1.2.1.1+1.2.1.2+1.2.2)	11,577.6	11,996.5	12,498.0	12,845.5	14,112.6	14,751.3	14,107.8	13,919.1
Gross debt/GDP	73.3%	71.8%	71.7%	69.7%	68.2%			

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

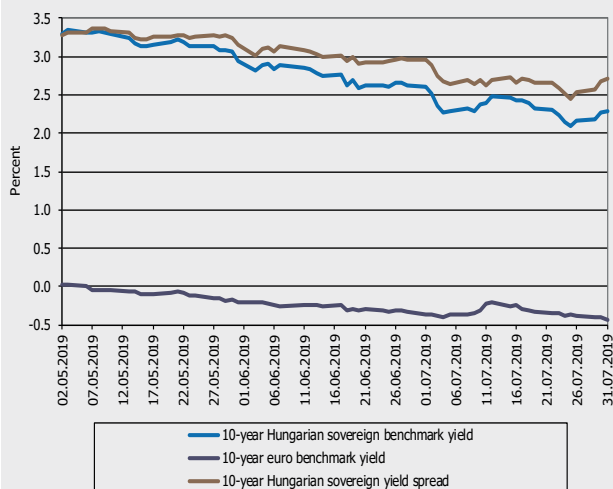
Benchmark yields



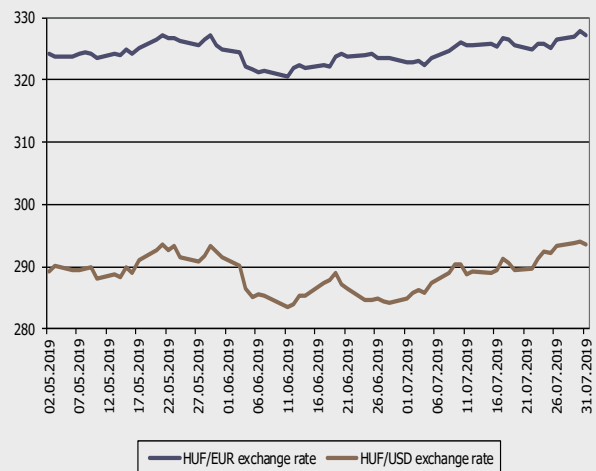
Benchmark yield curves



10-year Hungarian and eurozone benchmark yields



The exchange rate of the Hungarian Forint



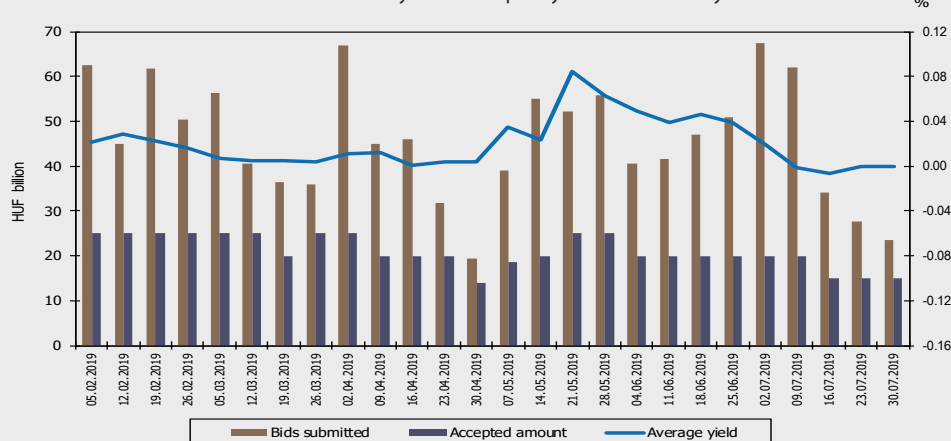
GOVERNMENT SECURITIES MARKET

DISCOUNT TREASURY BILL AUCTION RESULTS

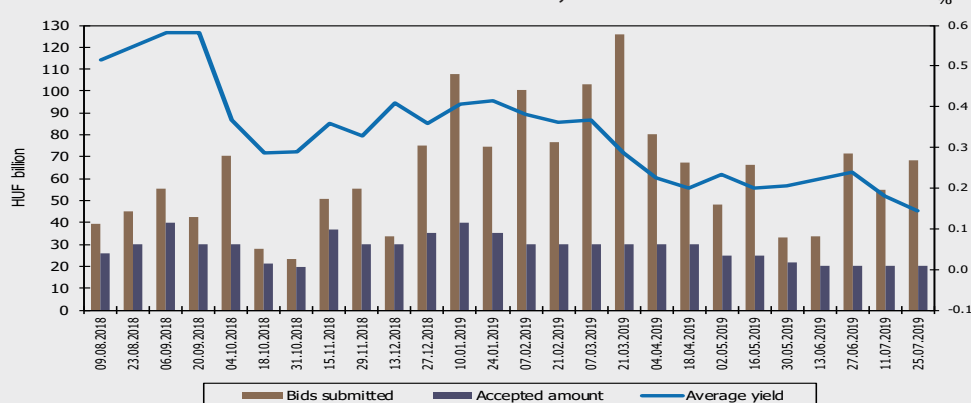
	3-month Discount T-bills					12-month Discount T-bills	
Code of T-bills	D191009	D191016	D191024	D191030	D191106	D200624	D200624
ISIN code	HU0000522669	HU0000522677	HU0000522685	HU0000522693	HU0000522701	HU0000522644	HU0000522644
Maturity in days	91	91	92	91	91	343	329
Date of auction	02.07.2019	09.07.2019	16.07.2019	23.07.2019	30.07.2019	11.07.2019	25.07.2019
Date of financial settlement	10.07.2019	17.07.2019	24.07.2019	31.07.2019	07.08.2019	17.07.2019	31.07.2019
Redemption date	09.10.2019	16.10.2019	24.10.2019	30.10.2019	06.11.2019	24.06.2020	24.06.2020
Maximum yield (%) - ISMA	0.02	0.01	0.00	0.00	0.01	0.18	0.15
Minimum yield (%) - ISMA	0.02	0.00	-0.01	0.00	0.00	0.18	0.13
Average yield (%) - ISMA	0.02	0.00	-0.01	0.00	0.00	0.18	0.15
Maximum yield (%) - EHM	0.03	0.01	0.00	0.00	0.01	0.18	0.15
Minimum yield (%) - EHM	0.02	0.00	-0.01	0.00	0.00	0.18	0.14
Average yield (%) - EHM	0.02	0.00	-0.01	0.00	0.00	0.18	0.15
Average selling price (%)	99.9951	100.0004	100.0018	100.0001	100.0001	99.8290	99.8673
Amount offered for sale (HUF million)	20,000.00	20,000.00	15,000.00	15,000.00	15,000.00	20,000.00	20,000.00
Amount of bids submitted (HUF million)	67,290.90	61,900.00	34,100.00	27,670.00	23,533.00	55,150.00	68,400.00
Amount of bids accepted (HUF million)	20,000.00	20,000.00	15,000.00	14,999.99	15,000.00	20,000.00	19,999.99
Bid-to-cover ratio	3.36	3.10	2.27	1.84	1.57	2.76	3.42
Bids submitted (pcs)	37	23	20	15	22	40	40
Bids accepted (pcs)	12	8	9	5	11	4	14
Market sales* (HUF million)	20,000.00	20,000.00	15,000.00	14,999.99	15,000.00	20,000.00	19,999.99
Retained on ÁKK's own account (HUF million)	6,000.00	6,000.00	15,000.00	4,500.01	4,500.00	20,000.00	20,000.01
Total amount issued (HUF million)	26,000.00	26,000.00	30,000.00	19,500.00	19,500.00	40,000.00	40,000.00

* Without issuance onto ÁKK's own account

3-month Discount Treasury Bill and Liquidity Discount Treasury Bill auctions



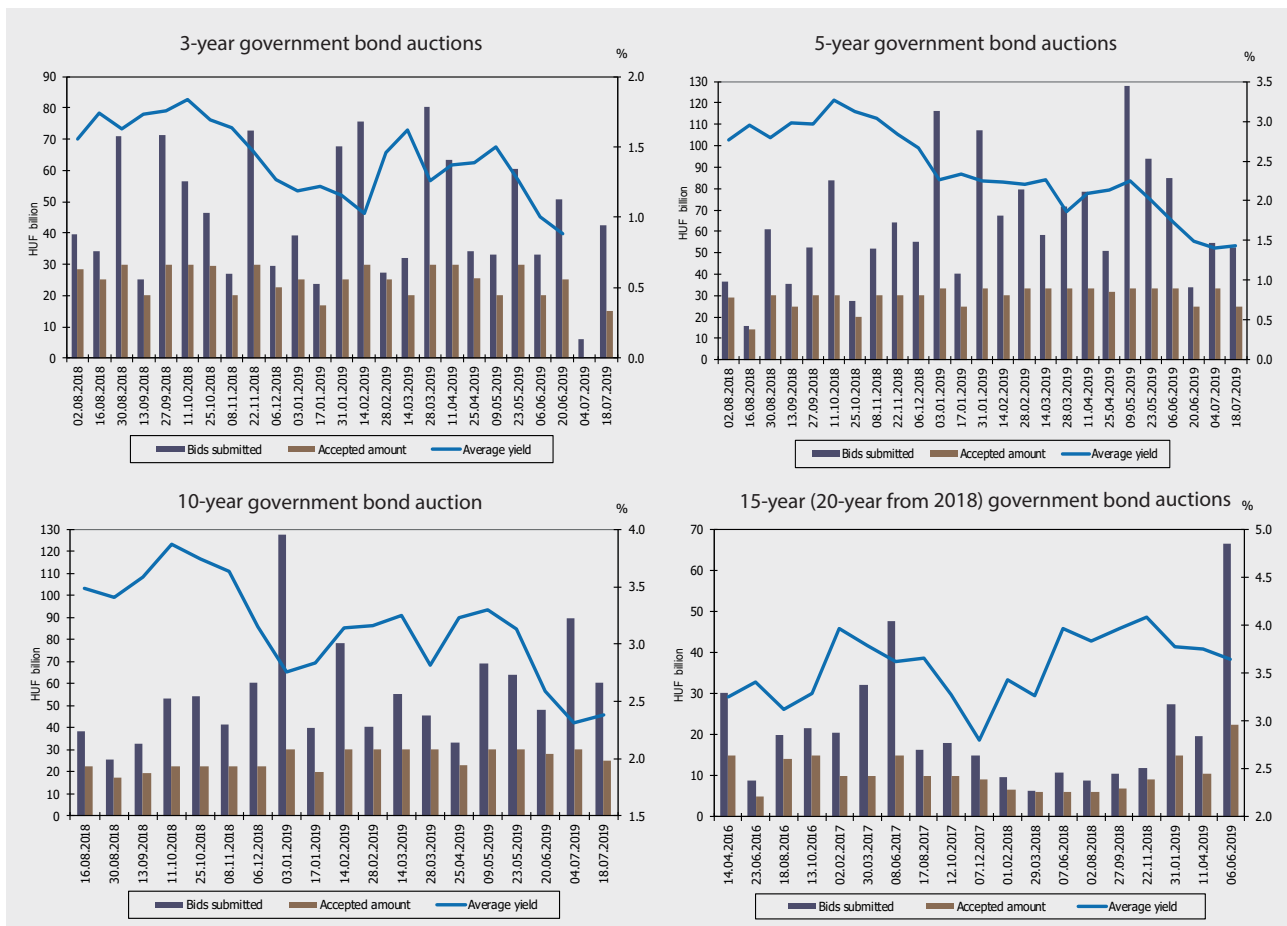
12-month Discount Treasury Bill auctions



GOVERNMENT SECURITIES MARKET

GOVERNMENT BOND AUCTION RESULTS

Government Bond	2022/C	2024/C	2030/A	2023/B	2022/C	2024/C	2030/A	2023/B
ISIN code	HU0000403704	HU0000403571	HU0000403696	HU0000403456	HU0000403704	HU0000403571	HU0000403696	HU0000403456
Maturity (in years)	3	5	10	5	3	5	10	3
Coupon	1.50%	2.50%	3.00%	0.16%	1.50%	2.50%	3.00%	0.26%
Auction	10th auction	27th auction	9th auction	38th auction	11th auction	28th auction	10th auction	39th auction
Date of auction	04.07.2019	04.07.2019	04.07.2019	11.07.2019	18.07.2019	18.07.2019	18.07.2019	25.07.2019
Date of financial settlement	10.07.2019	10.07.2019	10.07.2019	17.07.2019	24.07.2019	24.07.2019	24.07.2019	31.07.2019
Redemption date	24.08.2022	24.10.2024	21.08.2030	26.07.2023	24.08.2022	24.10.2024	21.08.2030	26.07.2023
Maximum annual yield (%) - ISMA	0.00	1.41	2.32	-	0.91	1.44	2.39	-
Minimum annual yield (%) - ISMA	0.00	1.38	2.29	-	0.89	1.41	2.36	-
Average annual yield (%) - ISMA	0.00	1.40	2.31	-	0.90	1.43	2.38	-
Maximum annual yield (%) - EHM	0.00	1.41	2.32	-	0.91	1.44	2.39	-
Minimum annual yield (%) - EHM	0.00	1.38	2.29	-	0.89	1.41	2.36	-
Average annual yield (%) - EHM	0.00	1.40	2.31	-	0.90	1.43	2.38	-
Maximum price (%)	0.0000	105.6746	106.9051	98.2400	101.8455	105.4798	106.1790	98.3200
Minimum price (%)	0.0000	105.5182	106.6001	98.1600	101.7842	105.3240	105.8799	98.2600
Average price (%)	0.0000	105.5791	106.6822	98.1800	101.8015	105.3570	105.9615	98.2800
Amount offered for sale (HUF million)	20,000.00	25,000.00	20,000.00	6,000.00	15,000.00	25,000.00	20,000.00	6,000.00
Amount of bids submitted (HUF million)	6,180.30	54,430.00	89,830.60	17,700.00	42,568.50	52,600.00	60,500.00	22,650.00
Amount of bids accepted (HUF million)	0.00	33,500.00	29,999.99	5,999.98	14,999.99	25,000.00	25,000.00	5,999.96
Bid-to-cover ratio	-	1.62	2.99	2.95	2.84	2.10	2.42	3.78
Bids submitted (pcs)	18	46	59	44	37	38	37	35
Bids accepted (pcs)	0	27	27	22	13	17	16	20
Tail (%) (average price - minimum price)	0.00	0.06	0.08	0.02	0.02	0.03	0.08	0.02
Market sales (HUF million)	0.00	33,500.00	29,999.99	5,999.98	14,999.99	25,000.00	25,000.00	5,999.96
Non-competitive offer (HUF million)	0.00	12,188.00	11,058.50	1,722.22	5,738.29	9,520.00	9,600.00	0.00
Total amount sales (HUF million)	0.00	45,688.00	41,058.49	7,722.20	20,738.28	34,520.00	34,600.00	5,999.96



GOVERNMENT SECURITIES MARKET

GOVERNMENT SECURITIES BUY-BACK AUCTION RESULTS

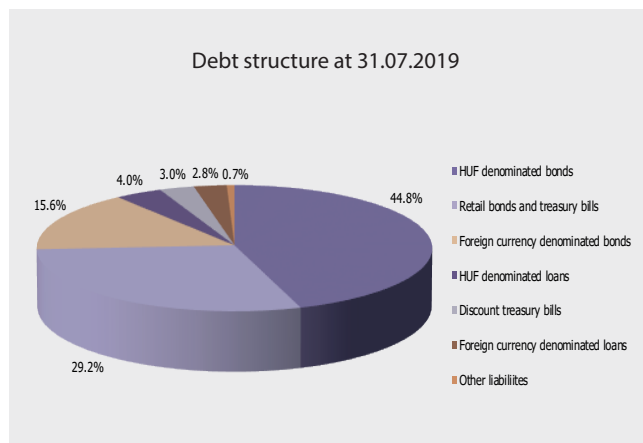
Government bond	2019/C	2020/B	2019/C	2020/B	2020/A	2020/C
ISIN code	HU0000403092	HU0000402953	HU0000403092	HU0000402953	HU0000402235	HU0000403258
Coupon (%)	2.00	3.50	2.00	3.50	7.50	1.00
Date of reverse auction	03.07.2019	03.07.2019	17.07.2019	17.07.2019	31.07.2019	31.07.2019
Date of financial settlement	10.07.2019	10.07.2019	24.07.2019	24.07.2019	07.08.2019	07.08.2019
Redemption date	30.10.2019	24.06.2020	30.10.2019	24.06.2020	12.11.2020	23.09.2020
Minimum annual yield (%)	0.00	0.01	0.00	0.03	0.07	0.04
Average annual yield- ISMA (%)	0.00	0.01	0.00	0.03	0.08	0.04
Average annual yield - EHM (%)	0.00	0.01	0.00	0.03	0.08	0.04
Amount of bids submitted (HUF million)	1,979.38	5,336.04	293.50	618.73	13,404.33	35,232.55
Amount of bids accepted (HUF million)	1,979.38	5,336.04	-	400.00	9,697.28	32,482.45

INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN JULY 2019

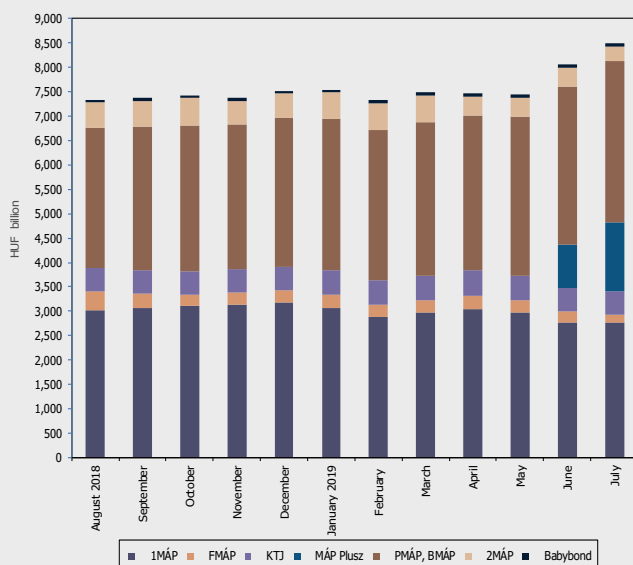
Government bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate	Interest payable
2020/P	19.07.2019	22.07.2019	22.07.2020	22.07.2020	2.71%	2.76%
2020/R	22.07.2019	23.07.2019	23.07.2020	23.07.2020	2.21%	2.25%
2020/K	26.07.2019	29.07.2019	29.07.2020	29.07.2020	4.55%	4.55%
2022/I	26.07.2019	29.07.2019	29.07.2020	29.07.2020	5.05%	5.05%
2023/B	23.07.2019	26.07.2019	26.10.2019	28.10.2019	0.26%	0.07%

OUTSTANDING AMOUNT OF RETAIL SECURITIES

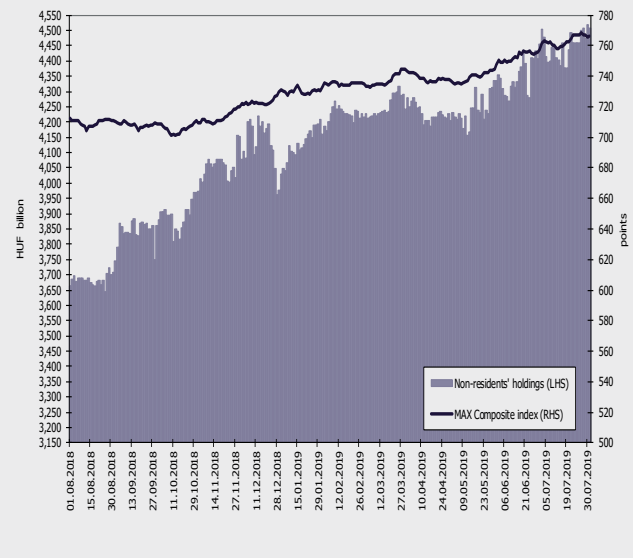
Retail securities	HUF billion		Change
	31.12.2018	31.07.2019	HUF billion
1-year Hungarian Government Security / 1MÁP	3,169.8	2,759.4	-410.5
Half-year Hungarian Government Security / FMÁP	253.8	166.8	-87.0
Treasury Saving Bills / KTI	495.9	489.9	-6.1
Hungarian Government Security Plus / MÁP Plusz	0.0	1,416.6	1,416.6
Premium and Bonus Hungarian Government Securities / PMÁP, BMÁP	3,041.1	3,290.7	249.6
2-year Hungarian Government Security / 2MÁP	500.2	302.8	-197.4
Babybond	54.8	68.0	13.2
Total	7,515.7	8,494.1	978.5



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
Value as at 31.07.2019	810.5998	554.5796	766.3725	536.0056
Changes compared to the end of the month before	12.7080	0.2965	11.1211	0.1647
Annual yield earned on the index portfolio (%)	8.21	0.56	7.55	0.08

BENCHMARK INDICES

	3 years	5 years	10 years	15 years
BMX-index value as at 31.07.2019	770.1263	859.3678	654.7030	454.4521
Changes compared to the end of the month before	4.0146	15.8121	22.2837	42.2198
Reference yield (%)	0.76	1.25	2.28	2.66
Annual yield earned on the index portfolio (%)	5.40	9.71	16.56	20.73

Government bonds with the highest secondary market turnover in July 2019

Government bond	Date of redemption	Turnover (HUF billion)
2026/D	22.12.2026	902.6
2030/A	21.08.2030	564.2
2027/A	27.10.2027	496.2
2024/C	24.10.2024	481.2
2024/B	26.06.2024	279.1
2022/C	24.08.2022	262.7
2028/A	22.10.2028	258.2
2021/C	21.04.2021	236.4
2025/B	24.06.2025	224.0
2023/A	24.11.2023	143.1

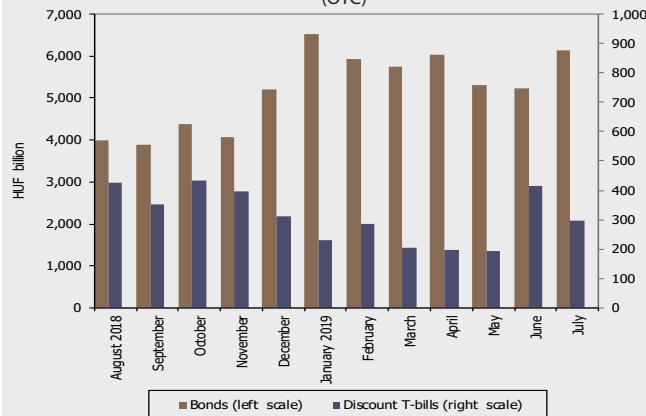
The outstanding volume of government bonds with benchmark status at the end of July 2019

Government bond	HUF billion	
	30.06.2019	31.07.2019
2022/C	258.50	286.19
2024/C	877.04	957.46
2030/A	287.70	363.47
2038/A	99.62	99.71

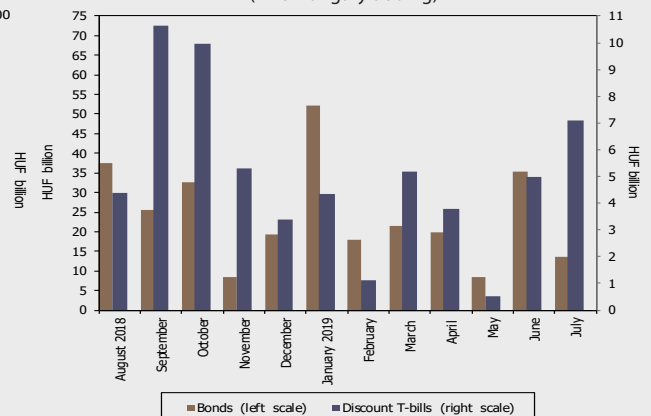
The outstanding volume of the three largest government bonds at the end of July 2019

Government bond	HUF billion
2027/A	1,201.93
2025/B	1,194.59
2022/B	1,131.55

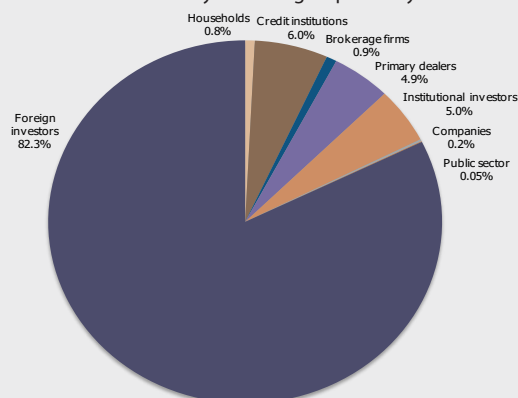
Secondary market trading of Hungarian government securities (OTC)



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



Breakdown of primary dealers' secondary market turnover in Government Bonds by investor groups in July 2019



Breakdown of primary dealers' secondary market turnover in Discount Treasury Bills by investor groups in July 2019

