

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT OCTOBER 2019

The net issuance was HUF 389.2 billion; out of which net HUF-denominated issuance was HUF 1,051.1 billion and net foreign currency denominated redemption was HUF 661.9 billion in 2019.

CENTRAL GOVERNMENT DEBT

(HUF billion)	2018		2019		Change	
	December	%	October	%	HUF billion	%
HUF denominated debt	22,796.0	79.5	23,847.1	81.5	1,051.1	4.6
Loans	1,167.7	4.1	1,173.5	4.0	5.8	0.5
Government bonds	12,875.2	44.9	13,061.7	44.7	186.5	1.4
Retail securities	7,515.7	26.2	8,804.0	30.1	1,288.3	17.1
Discount treasury bills	1,237.3	4.3	807.8	2.8	-429.5	-34.7
Foreign exchange denominated debt	5,724.8	20.0	5,199.1	17.8	-525.6	-9.2
Total	28,520.7	99.4	29,046.2	99.3	525.5	1.8
<i>Other obligations</i>	167.4	0.6	206.7	0.7	39.3	23.5
Total central government debt	28,688.2	100.0	29,252.9	100.0	564.7	2.0

The HUF denominated debt of the central government increased by HUF 1,051.0 billion in 2019. The increase in domestic debt was the result of the net government bond issuance of HUF 186.5 billion and the total amount of retail government securities increased by HUF 1,288.3 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 429.5 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 525.6 billion in 2019. The domestic PÉMAK bond issuance was HUF 76.2 billion and the drawdown from foreign currency credit line was HUF 7.8 billion. The redemptions of foreign currency bonds worth HUF 706.8 billion and the repayment of the foreign currency was HUF 39.2 billion. The exchange rate revaluations totalling HUF 136.3 billion increased the Hungarian Forint value of the foreign currency debt in 2019. The total amount of other liabilities increased by HUF 39.3 billion in 2019.

BENCHMARK YIELDS

Maturity	28.12.2018	30.09.2019	31.10.2019	Change in October basis point
3-month	0.00	0.04	0.02	-2
6-month	0.12	0.02	0.02	0
1-year	0.39	0.01	-0.03	-4
3-year	1.21	0.39	0.37	-2
5-year	2.46	1.01	0.91	-10
10-year	3.01	1.97	1.89	-8
15-year	3.78	2.48	2.59	11

Monthly OTC turnover of government securities decreased by 10% to HUF 6,477.2 billion in October. Primary dealers, who account for the decisive part of all secondary government securities trading, made 75% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities decreased altogether by HUF 12.8 billion in October and amounted to HUF 4,369.2 billion at the end of the month. This volume represented 19.3% of the total amount of domestic government securities.

The EUR/HUF exchange rate according to the National Bank of Hungary was 329.82 on the last working day of October.

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

GOVERNMENT SECURITIES MARKET

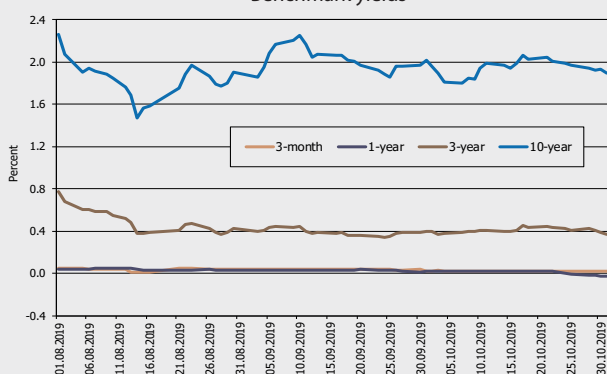
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

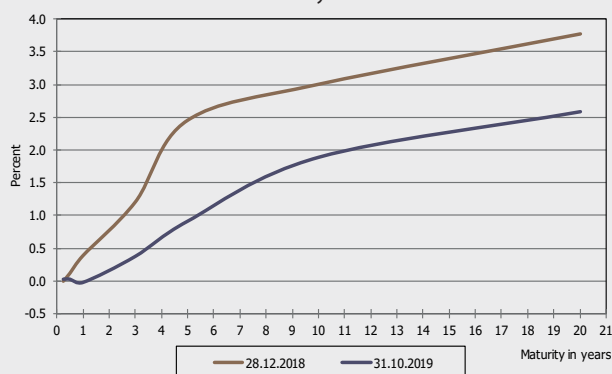
	2014	2015	2016	2017	2018	2019 August	2019 September	2019 October
1. Forint denominated debt	14,612.0	16,207.9	18,430.9	20,689.4	22,796.0	23,838.5	23,682.4	23,847.1
1.1. Loans	623.3	694.1	865.0	1,041.1	1,167.7	1,173.5	1,173.5	1,173.5
1.2. Government securities	13,988.7	15,513.8	17,565.8	19,648.3	21,628.3	22,665.0	22,508.9	22,673.6
1.2.1. Public issues	13,847.7	15,462.3	17,526.7	19,609.2	21,589.1	22,625.8	22,469.8	22,634.4
1.2.1.1. Bonds	9,848.0	11,043.4	11,562.4	11,767.1	12,836.1	13,148.5	12,917.7	13,022.5
1.2.1.2. Discount T-bills	1,588.6	901.6	896.4	1,039.2	1,237.3	893.6	759.5	807.8
1.2.1.3. Retail securities	2,411.1	3,517.4	5,067.9	6,802.9	7,515.7	8,583.7	8,792.6	8,804.0
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	5,399.3	5,311.5	5,199.1
2.1. Loans	2,164.3	1,696.8	1,101.6	929.1	795.0	825.7	818.4	784.8
2.1.1. Foreign loans	1,889.9	1,614.2	1,097.6	929.1	795.0	825.7	818.4	784.8
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	4,573.6	4,493.1	4,414.3
2.2.1. Issued abroad	5,844.6	5,198.9	4,618.9	4,145.9	4,246.2	3,837.2	3,783.5	3,701.6
2.2.2. Issued domestically	948.9	840.1	536.0	707.6	683.6	736.4	709.6	712.7
Total	23,569.9	23,943.7	24,687.4	26,472.0	28,520.7	29,237.8	28,993.9	29,046.2
Other liabilities	311.20	756.00	742.70	274.20	167.40	217.4	229.1	206.7
Total central government debt	23,881.1	24,699.7	25,430.0	26,746.2	28,688.2	29,455.2	29,223.1	29,252.9
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	14,081.3	13,716.4	13,869.5
Gross debt/GDP	73.0%	71.0%	70.8%	68.9%	67.2%			

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

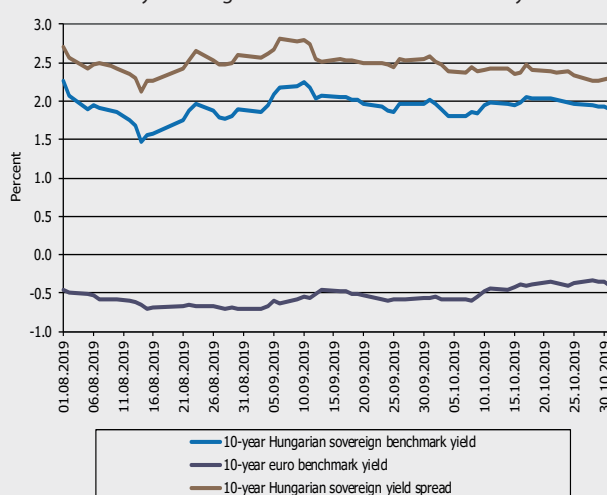
Benchmark yields



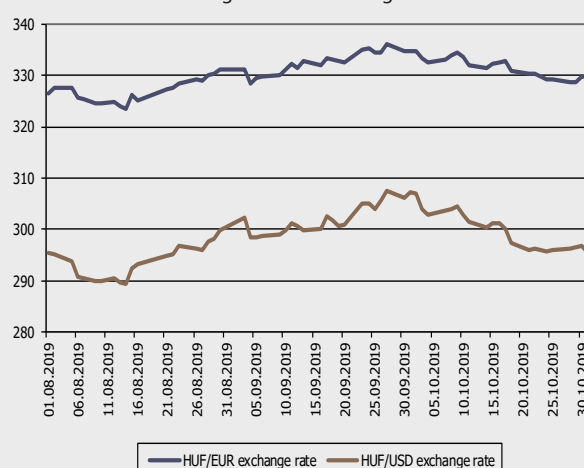
Benchmark yield curves



10-year Hungarian and eurozone benchmark yields



The exchange rate of the Hungarian Forint



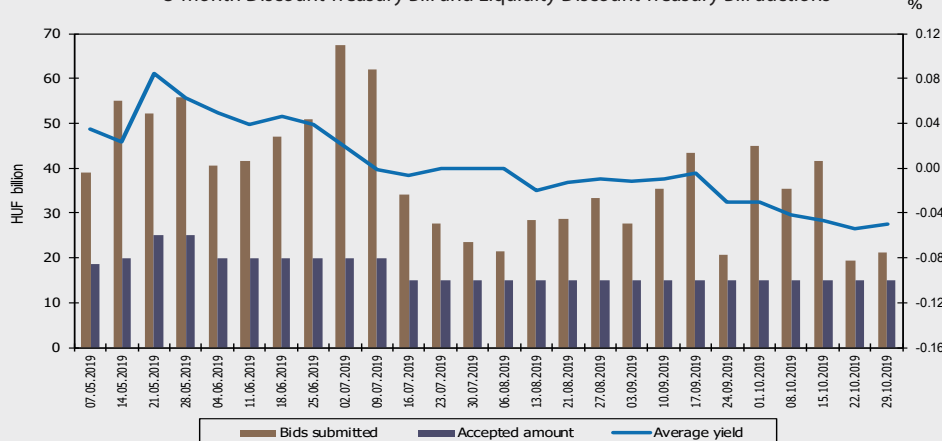
GOVERNMENT SECURITIES MARKET

DISCOUNT TREASURY BILL AUCTION RESULTS

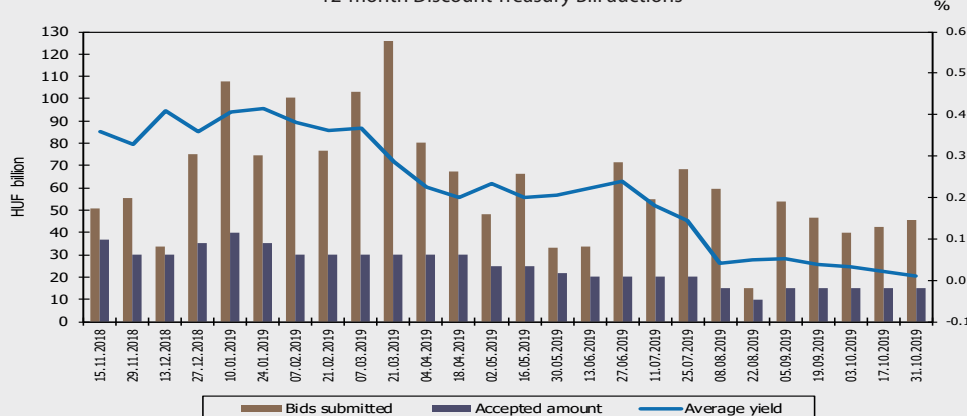
	3-month Discount T-bills					12-month Discount T-bills		
Code of T-bills	D200108	D200115	D200122	D200129	D200205	D200826	D201021	D201021
ISIN code	HU0000522784	HU0000522792	HU0000522800	HU0000522826	HU0000522834	HU0000522735	HU0000522818	HU0000522818
Maturity in days	91	91	90	91	91	322	363	350
Date of auction	01.10.2019	08.10.2019	15.10.2019	22.10.2019	29.10.2019	03.10.2019	17.10.2019	31.10.2019
Date of financial settlement	09.10.2019	16.10.2019	24.10.2019	30.10.2019	06.11.2019	09.10.2019	24.10.2019	06.11.2019
Redemption date	08.01.2020	15.01.2020	22.01.2020	29.01.2020	05.02.2020	26.08.2020	21.10.2020	21.10.2020
Maximum yield (%) - ISMA	-0.03	-0.03	-0.04	-0.05	-0.04	0.04	0.03	0.02
Minimum yield (%) - ISMA	-0.03	-0.05	-0.05	-0.06	-0.06	0.02	0.02	0.01
Average yield (%) - ISMA	-0.03	-0.04	-0.05	-0.05	-0.05	0.03	0.02	0.01
Maximum yield (%) - EHM	-0.03	-0.03	-0.04	-0.05	-0.04	0.04	0.03	0.02
Minimum yield (%) - EHM	-0.03	-0.05	-0.05	-0.06	-0.06	0.02	0.02	0.01
Average yield (%) - EHM	-0.03	-0.04	-0.05	-0.05	-0.05	0.03	0.02	0.01
Average selling price (%)	100.0076	100.0106	100.0118	100.0137	100.0127	99.9720	99.9772	99.9900
Amount offered for sale (HUF million)	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00
Amount of bids submitted (HUF million)	45,040.00	35,500.00	41,700.00	19,500.00	21,230.00	40,005.00	42,370.00	45,644.00
Amount of bids accepted (HUF million)	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00	14,999.99
Bid-to-cover ratio	3.00	2.37	2.78	1.30	1.42	2.67	2.82	3.04
Bids submitted (pcs)	21	12	11	13	8	28	37	29
Bids accepted (pcs)	6	5	4	11	8	16	12	13
Market sales* (HUF million)	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00	14,999.99
Retained on ÁKK's own account (HUF million)	4,500.00	4,500.00	4,500.00	4,500.00	4,500.00	15,000.00	15,000.00	15,000.01
Total amount issued (HUF million)	19,500.00	19,500.00	19,500.00	19,500.00	19,500.00	30,000.00	30,000.00	30,000.00

* Without issuance onto ÁKK's own account

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



12-month Discount Treasury Bill auctions

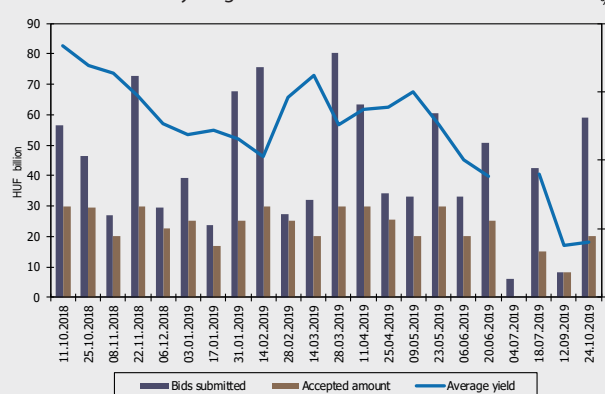


GOVERNMENT SECURITIES MARKET

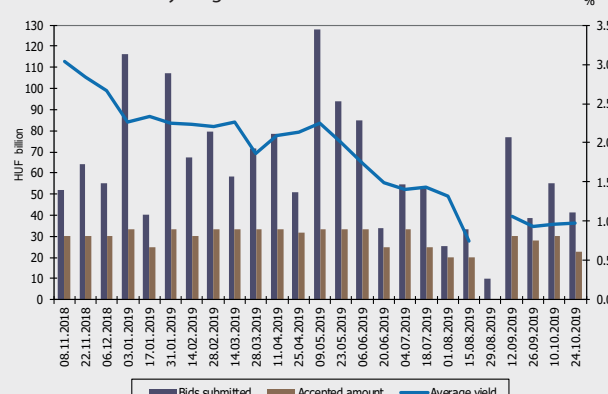
GOVERNMENT BOND AUCTION RESULTS

Government Bond	2024/C	2030/A	2038/A	2022/C	2024/C	2030/A
ISIN code	HU0000403571	HU0000403696	HU0000403555	HU0000403704	HU0000403571	HU0000403696
Maturity (in years)	5	10	15	3	5	10
Coupon	2.50%	3.00%	3.00%	1.50%	2.50%	3.00%
Auction	34th auction	16th auction	14th auction	13th auction	35th auction	17th auction
Date of auction	10.10.2019	10.10.2019	10.10.2019	24.10.2019	24.10.2019	24.10.2019
Date of financial settlement	16.10.2019	16.10.2019	16.10.2019	30.10.2019	30.10.2019	30.10.2019
Redemption date	24.10.2024	21.08.2030	27.10.2038	24.08.2022	24.10.2024	21.08.2030
Maximum annual yield (%) - ISMA	0.97	1.88	2.60	0.41	0.98	1.98
Minimum annual yield (%) - ISMA	0.94	1.85	2.53	0.39	0.96	1.93
Average annual yield (%) - ISMA	0.96	1.87	2.57	0.40	0.97	1.96
Maximum annual yield (%) - EHM	0.97	1.88	2.60	0.41	0.98	1.98
Minimum annual yield (%) - EHM	0.94	1.85	2.53	0.39	0.96	1.93
Average annual yield (%) - EHM	0.96	1.87	2.57	0.40	0.97	1.96
Maximum price (%)	107.6237	111.2075	107.0286	103.1032	107.4611	110.3471
Minimum price (%)	107.4702	110.8944	105.9439	103.0461	107.3577	109.8344
Average price (%)	107.5379	110.9871	106.3822	103.0613	107.3914	110.0095
Amount offered for sale (HUF million)	20,000.00	20,000.00	10,000.00	20,000.00	20,000.00	20,000.00
Amount of bids submitted (HUF million)	54,897.70	31,703.00	17,055.80	58,950.00	41,167.50	29,119.16
Amount of bids accepted (HUF million)	30,000.00	24,000.00	10,000.00	19,999.98	22,499.98	20,000.00
Bid-to-cover ratio	1.83	1.32	1.71	2.95	1.83	1.46
Bids submitted (pcs)	50	39	38	33	43	47
Bids accepted (pcs)	28	28	29	12	24	35
Tail (%) (average price - minimum price)	0.07	0.09	0.44	0.02	0.03	0.18
Market sales (HUF million)	30,000.00	24,000.00	10,000.00	19,999.98	22,499.98	20,000.00
Non-competitive offer (HUF million)	0.00	0.00	0.00	3,200.00	2,399.00	1,340.33
Total amount sales (HUF million)	30,000.00	24,000.00	10,000.00	23,199.98	24,898.98	21,340.33

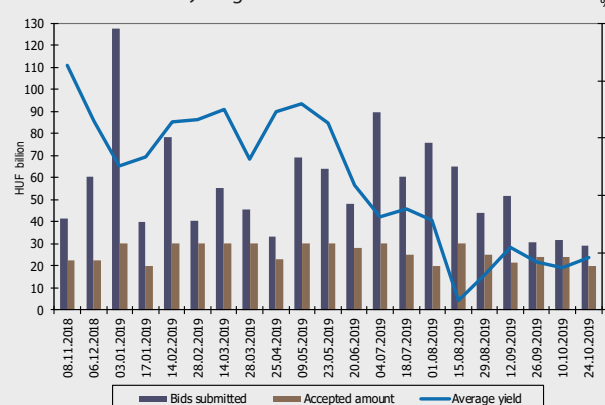
3-year government bond auctions



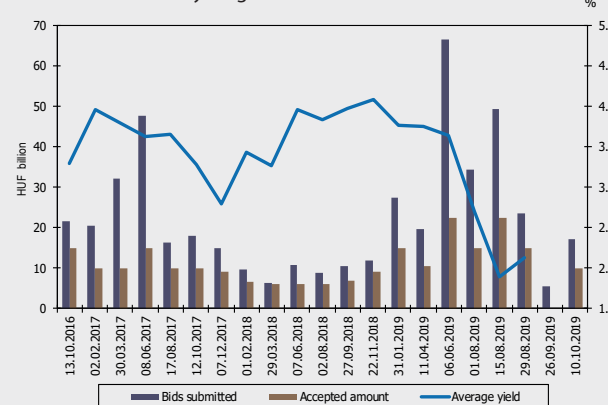
5-year government bond auctions



10-year government bond auction



15-year government bond auctions



GOVERNMENT SECURITIES MARKET

GOVERNMENT SECURITIES BUY-BACK AUCTION RESULTS

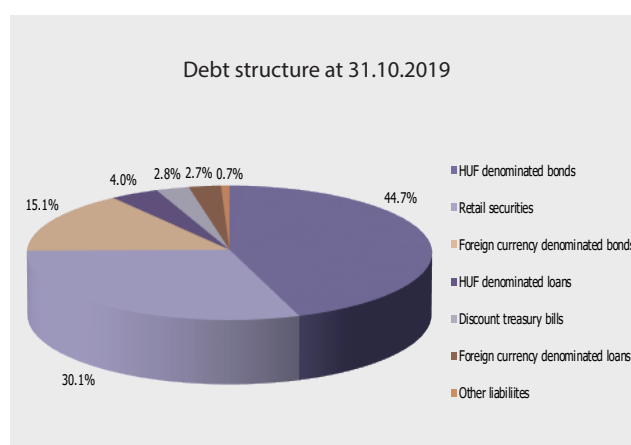
Government bond	2020/A	2021/C	2020/B	2021/C
ISIN code	HU0000402235	HU0000403464	HU0000402953	HU0000403464
Coupon (%)	7.50	0.50	3.50	0.50
Date of reverse auction	09.10.2019	09.10.2019	22.10.2019	22.10.2019
Date of financial settlement	16.10.2019	16.10.2019	30.10.2019	30.10.2019
Redemption date	12.11.2020	21.04.2021	24.06.2020	21.04.2021
Minimum annual yield (%)	0.00	0.00	0.00	0.00
Average annual yield- ISMA (%)	0.00	0.00	0.00	0.00
Average annual yield - EHM (%)	0.00	0.00	0.00	0.00
Amount of bids submitted (HUF million)	994.71	14,753.52	4,065.30	7,029.80
Amount of bids accepted (HUF million)	994.71	14,753.52	4,065.30	7,029.80

INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN OCTOBER 2019

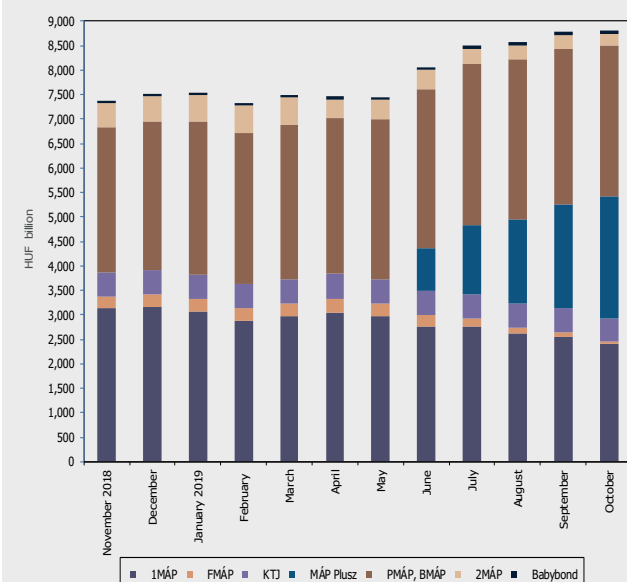
Government bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate	Interest payable
2021/I	18.10.2019	20.10.2019	20.10.2020	20.10.2020	6.05%	6.05%
2023/B	23.10.2019	26.10.2019	26.01.2020	27.01.2020	0.21%	0.05%
2026/B	24.10.2019	24.10.2019	24.04.2020	24.04.2020	0.01%	0.02%

OUTSTANDING AMOUNT OF RETAIL SECURITIES

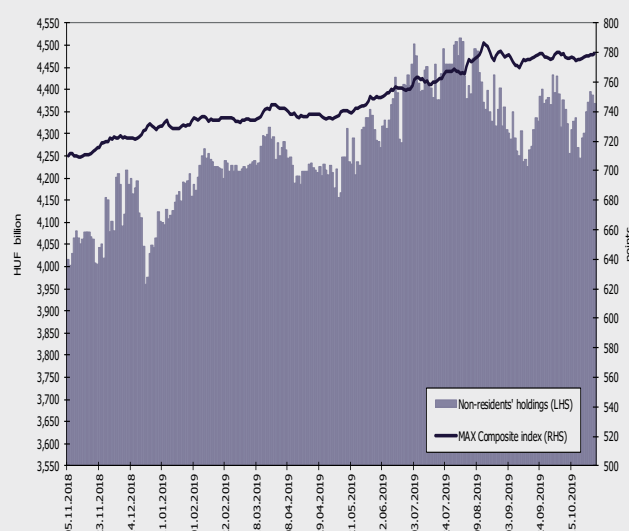
Retail securities	HUF billion		
	31.12.2018	31.10.2019	Change
1-year Hungarian Government Security / 1MÁP	3,169.8	2,418.3	-751.6
Half-year Hungarian Government Security / FMÁP	253.8	30.4	-223.4
Treasury Saving Bills / KTJ	495.9	486.8	-9.2
Hungarian Government Security Plus / MÁP Plusz	0.0	2,484.6	2,484.6
Premium and Bonus Hungarian Government Securities / PMÁP, BMÁP	3,041.1	3,083.9	42.8
2-year Hungarian Government Security / 2MÁP	500.2	227.7	-272.5
Babybond	54.8	72.3	17.5
Total	7,515.7	8,804.0	1,288.3



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 31.10.2019	825.9421	554.6675	779.7055	535.9997
Changes compared to the end of the month before	3.7100	0.0073	3.2369	0.0323
Annual yield earned on the index portfolio (%)	10.87	0.26	9.91	0.02

BENCHMARK INDICES

	3 years	5 years	10 years	15 years
BMX-index value as at 31.10.2019	779.8898	875.7633	681.9948	462.3395
Changes compared to the end of the month before	0.7100	4.9783	6.2427	-5.9278
Reference yield (%)	0.37	0.91	1.89	2.59
Annual yield earned on the index portfolio (%)	6.46	13.53	24.31	29.73

Government bonds with the highest secondary market turnover in October 2019

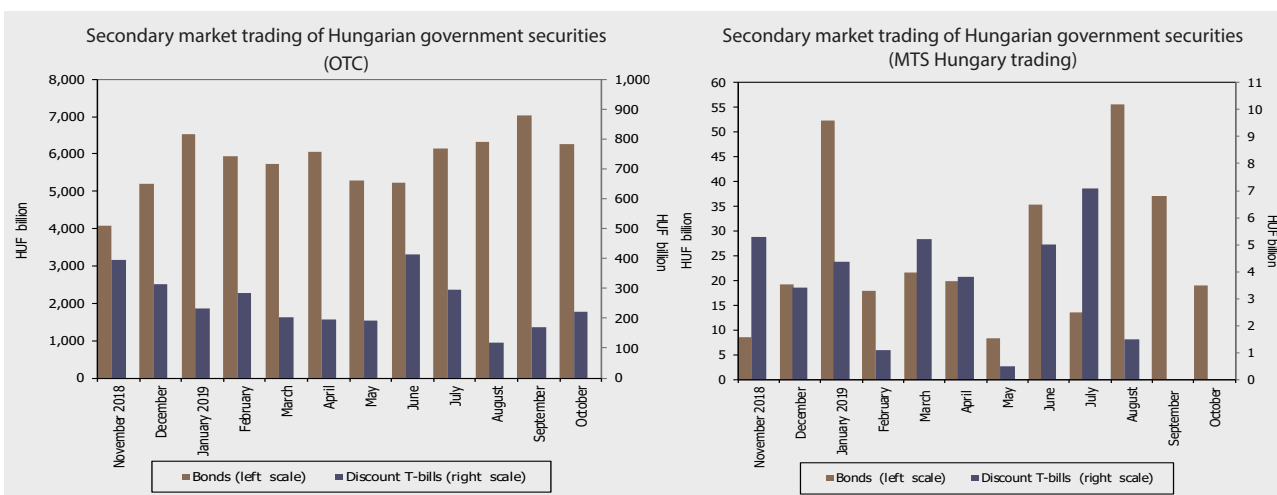
Government bond	Date of redemption	Turnover (HUF billion)
2026/D	22.12.2026	682.9
2030/A	21.08.2030	534.7
2024/C	24.10.2024	413.1
2027/A	27.10.2027	259.4
2022/B	26.10.2022	234.8
2028/A	22.10.2028	229.9
2025/B	24.06.2025	222.1
2024/B	26.06.2024	163.4
2023/B	26.07.2023	145.0
2022/C	24.08.2022	140.8

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

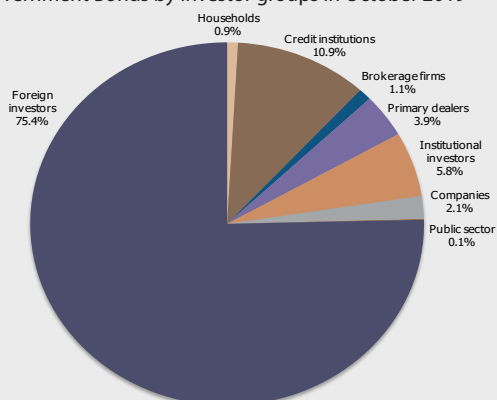
Government bond	HUF billion	
	30.09.2019	31.10.2019
2022/C	295.88	319.13
2024/C	1,039.37	1,125.23
2030/A	492.57	563.16
2038/A	170.46	180.53

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

Government bond	HUF billion
2027/A	1,201.96
2025/B	1,194.62
2022/B	1,133.91



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



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

