

ANALYSIS OF TRADE TURNOVER OF THE GOVERNMENT BONDS

Ruzikulov Abdimumin Kussam ugli

Tashkent state university of economics,
Researcher of the Department “Finance”

ruzikulov.a@gmail.com

ABSTRACT

This article analyzes the volume of secondary trading in government securities by years and periods. Problems related to the development of government securities in our country are also described. At the same time, conclusions on the analysis of the government securities market are presented.

Keywords: government securities, secondary market, government debt, stock market turnover.

ДАВЛАТ ҚИММАТЛИ ҚОҒОЗЛАР БОЗОРИНИ САВДО АЙЛАНМАСИ ТАҲЛИЛИ

Рўзиқулов Абдимўмин Қуссам ўғли

Тошкент давлат иқтисодиёт университети
“Молия” кафедраси тадқиқотчиси

АННОТАЦИЯ

Ушбу мақолада давлат қимматли қоғозлар иккиламчи савдо ҳажми йиллар ва муддатлар кесимида таҳлил қилинган. Шунингдек, мамлакатимиздаги давлат қимматли қоғозларини ривожлантириши билан боғлиқ муаммолар баён этилган. Шу билан бирга, давлат қимматли қоғозлар бозори таҳлили бўйича хулосалар тақдим этилган.

Калим сўзлар: давлат қимматли қоғозлари, иккиламчи бозор, давлат ички қарзи, қимматли қоғозлар бозорини савдо айланмаси

АНАЛИЗ ТОРГОВОГО ОБОРОТА РЫНКА ГОСУДАРСТВЕННЫХ ЦЕННЫХ БУМАГ

Рузикулов Абдимумин Куссам уғли

Ташкентский государственный экономический университет
соискатель кафедры “Финансы”

АННОТАЦИЯ

В данной статье анализируется объем вторичных торгов государственными ценными бумагами по годам и периодам. Также описаны проблемы, связанные с развитием государственных ценных бумаг в нашей стране. Вместе с тем представлены выводы по анализу рынка государственных ценных бумаг.

Ключевые слова: *государственные ценные бумаги, вторичный рынок, государственный внутренний долг, оборот фондового рынка.*

INTRODUCTION

At the present time, our country is implementing a number of measures to develop the government bond market. In particular, after a long suspension, the practice of issuing government bonds to finance and diversify the state budget deficit from non-inflationary sources and develop domestic capital markets was resumed in December 2018.

In recent years, the Ministry of Finance has mainly issued government bonds and expanded its participation in the debt market, extended the maturity of the government securities market in order to adapt to market requirements, and formed measures to build the skills of market participants by announcing the schedule of government securities auctions in advance.

LITERATURE REVIEW ON THE SUBJECT

Many authors such as Guseva I.A. "Financial markets and institutions" (2017), Ershov M.V., Tanasova A.S., Tatusov V.Yu. "Some trends of the global financial system in 2016" (2017), N.I. Berezov "Securities Market" (2018), Bhattacharyay, B. "Bond market development in Asia: An empirical analysis of majordeterminants (ADB Working Paper 300)" (2011), Dvoreskaya A.E. "Resources of the capital market as a source of financing of the real sector of economy" (2007) and others, many authors have studied the topic of the government bond market in different conditions.

RESEARCH METHODOLOGY

The research methodology consists in analyzing the state of the government bond market in the secondary securities market and analyzing the trends of their growth

and decline. In our study we analyzed the trading volume in the secondary market of government securities (GS) and the growth of the share of medium- and long-term securities.

ANALYSIS AND RESULTS

The experience of Turkey, Poland and Hungary has also been studied in order to diversify government bonds and issue new types of bonds and ensure that these bonds are linked to inflation. In recent years, in order to develop the government bond market, a schedule of auctions has been developed by the U.S. Treasury consultant, the Central Bank, the Republican Currency Exchange and the Ministry of Finance, and auctions are held on the basis of this schedule¹.

Today, the Government of the Republic of Uzbekistan is taking a number of measures to develop the government bond market. In particular, in the Decree of the President of the Republic of Uzbekistan dated April 13, 2021 № PF-6207 "On measures for further development of the capital market", in the Decree of the President of the Republic of Uzbekistan PQ-90 dated January 17, 2022 "On additional measures to introduce effective mechanisms to support the capital market", and in the Decree of the President of the Republic of Uzbekistan dated September 4, 2023 № PQ-91 "On additional measures to develop the secondary market of government bonds, to attract the necessary funds for the development of the state securities market".

Namely, providing program links for brokers to participate in the implementation of secondary trading between professional participants and investors organizing trading in the government securities market, increasing the number of investors in the market as a result of the implementation of the standard of developed countries in the development of secondary trading in government bonds, expanding the number of investors buying government bonds, bring the term of interest payments on government securities to the international standards of developed countries, increasing the number of investors in the market as a result of the implementation of the standard of developed countries in the development of secondary trading in government securities, and increasing the number of investors in the market.

As a result, the number of government bond auctions and the volume of government bond sales increased significantly in 2018-2022. Nevertheless, the fact that secondary trading of government bonds in our country is practically undeveloped is the reason for the insufficient expansion of the foreign and local investor base. Also, the

¹ https://api.mf.uz/media/document_files/Final

low level of sales of medium- and short-term government bonds (GS-government securities) in the government securities market leads to the underdevelopment of the secondary market of government securities, and the inability of the government to issue long-term instruments with low risk leads to the inability to attract other professional capital market participants. Today the issue of five- and ten-year GS in our country testifies that the benchmark has been created.

It should be emphasized that in order to develop the GS market, on April 27, 2021 at the electronic trading at the Currency Exchange of the Republic of Uzbekistan for the first time 5-year and 10-year GS were issued in circulation for the first time on January 25, 2022. The weighted average yields of these GS amounted to 12.65 and 15 percent, respectively, and the benchmark was created for the 5- and 10-year periods¹. This, in turn, contributes to the diversification of the sovereign debt portfolio. It will also reduce the risks associated with the national currency, thereby contributing to the development of the domestic capital market.

Currently, the development of the government bond market is trending upwards. One of the main reasons for this is that the issuance of government bonds to cover the government budget deficit is developing on a large scale. In particular, the state budget deficit of the republican budget balances at the beginning of 2018 in the amount of 44,939.4 million soums, was covered by 592,156.1 million soums received by the Ministry of Finance in December 2018² as a result of placement of securities of commercial banks. It can be seen that in the country the instrument of government bonds is widely used to cover the state budget deficit.

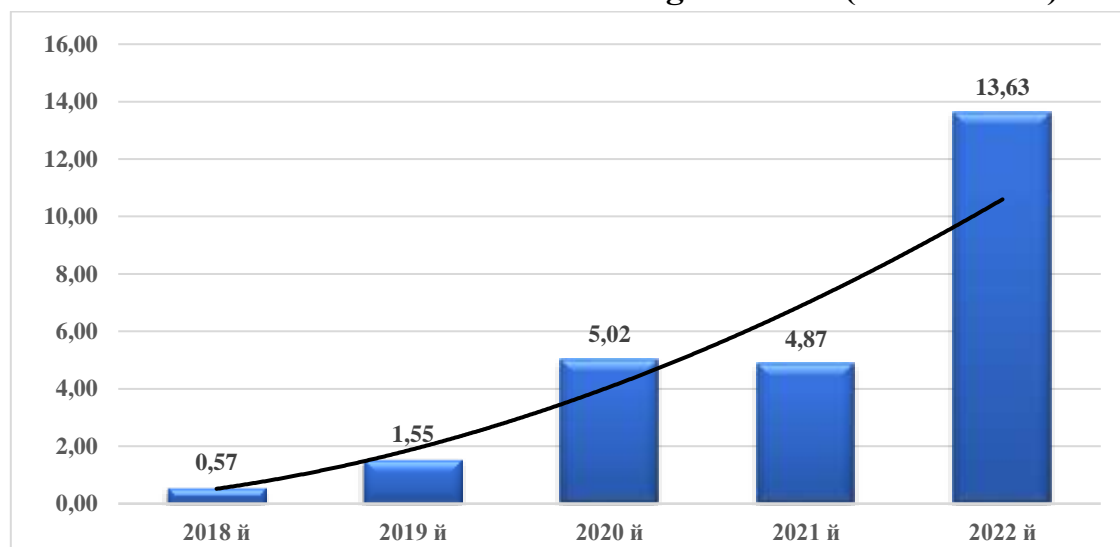
Also, if we pay attention to public debt, we can see that in 2022, public debt amounted to 36.4 percent of GDP, of which public external debt amounted to 25.9 billion dollars. Specifically, within the public debt, domestic debt reached 3.3 billion dollars. This in turn shows that it amounted to 4.1 percent of GDP. It also shows an increase of 599.4 million dollars compared to 2021³. The bulk of the government's domestic debt is made up of funds raised from the issuance of government bonds. The trading cycle of the government bond market over the last five years can be seen in the table below (Figure 1).

¹ https://api.mf.uz/media/document_files/Final_Капитал_бозори_статистика_1_ярим_йиллик_2022_3_g83rgHT.pdf

² <http://www.ach.gov.uz/uploads/c043ae40-b240-75c5-61ec-e4d9ecba4d16.pdf>

³ https://api.mf.uz/media/document_files/DB_2022_uzb_4hPh46F.pdf

Figure 1

Government bond market trading turnover (trillion UZS)¹

The data of Figure 1 demonstrate that in 2018, 0.57 trillion soums were sold in the government bond market through 3 auctions, and in 2019, 1.55 trillion soums of government bonds were sold through 15 electronic auctions. We can see that there is still a high demand for financial instruments with minimal risk in the national currency. In turn, we see that government bonds are viewed by capital market participants as highly liquid and reliable investment instruments.

In particular, we see that in 2020 the government bond market turnover reached 5.02 trillion soums, while in 2021 it decreased to 4.87 trillion soums. We also see that in 2021, 64 electronic auctions were held, and in 2020, 22 electronic auctions were held. In particular, in 2021, the realization of government bonds amounted to 13.63 trillion soums, 81 electronic auctions were held. Also in 2022, government bonds with a circulation term of 6 months amounted to 5.937 billion soums, while government bonds with a circulation term of 1-3 years amounted to 6.431 billion soums and government bonds with a circulation term of 5-10 years amounted to 1 billion 260.0 billion soums.

The issue of medium-term and long-term government bonds serves as a benchmark for raising funds by issuing low-risk instruments in the national currency. This creates a basis for diversification of financial instruments and attraction of new participants (insurance companies, etc.) to the financial market. It should be noted that in order to diversify the portfolio of government debt and reduce currency risks, the Ministry of Finance is increasing the volume of government bond issuance and taking

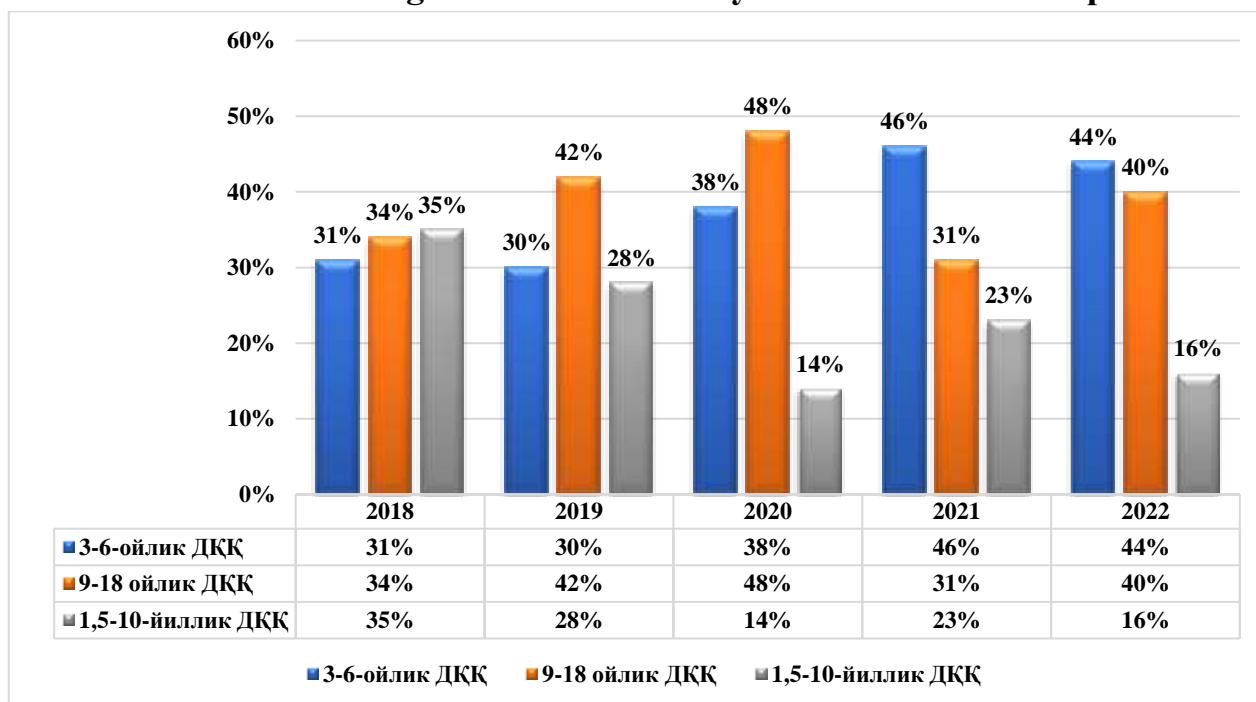
¹ Prepared by the author on the basis of information from the Ministry of Economy and Finance of the Republic of Uzbekistan.

systemic measures to develop domestic financial markets. In 2022, 3154.5 billion soums with circulation term of 3-6 months and 2176.7 billion soums with circulation term of 1-3 years were repaid. As a result, as of January 1, 2023, the debt balance amounted to 13.0 trillion soums.

It can be seen that the share of predominantly short-term government bonds in the government bond market remains high. Placement of the government bond market by duration you can see in the table below (Figure 2).

Figure 2

Placement of government bonds by their terms of redemption¹



As can be seen from the data in Figure 2, in 2018, government bonds with a maturity of 3-6 months accounted for 31 percent, namely 184.12 billion soums. It can also be seen that 9-18-month GS accounted for 34 percent and reached 205.78 billion soums. Meanwhile, 1.5-10-year government bonds accounted for 35 percent and amounted to 206 billion soums. In particular, the placement of 3-6-month government bonds in 2022 amounted to 44 percent, namely 5997.34 billion soums. It can also be seen that 9-18-month government bonds reached 3075.5 billion soums. In general, in recent years, much attention has been paid to the development of government bond market.

It should be noted that since October 5, 2022, mobile application "UZCE mobile GB" developed by Currency Market Of The Republic Of Uzbekistan has been launched in this market, and through this software it became possible to conduct transactions

¹ Prepared by the author on the basis of information from the Ministry of Economy and Finance of the Republic of Uzbekistan.

with government securities remotely. In addition to conducting remote trades, users of the application had the opportunity to familiarize themselves with various information, including news of the GS market, as well as for further activation and improvement of trading processes in the GS market. On November 1, 2022, the European Bank for Reconstruction and Development as a foreign investor concluded agreements on purchase of GS through Asaka Bank JSC for the first time at the auction of Currency market of the Republic of Uzbekistan. During the II International Economic Forum, held in Samarkand on November 3-4, 2022, the Ministry of Finance of the Republic of Uzbekistan, the Central Bank and 9 commercial banks signed agreements on performing the duties of primary dealer in the GS market. On October 29, 2022 within the framework of GS between primary dealers on the platform of Currency market of the Republic of Uzbekistan the first auction on placement was held. The number of GS put up for auction amounted to 560 thousand units. Besides, on December 20, 2022 the Ministry of Finance placed GS for the first time for target financing of infrastructure development on the Currency market of The Republic of Uzbekistan trade floor.

During the auction were placed GS with a circulation term of 5 years in the amount of 149.7 billion soums, the average weighted yield amounted to 18.08% per annum. In general, securities worth 87.29 trillion soums were placed in the GS market during the reporting period, which is 3.5 times more than the indicator of 2021 (24.85 trillion soums).

CONCLUSIONS

Based on the data analyzed above, we have come to the following conclusions.

First, it is necessary to simplify the trading procedure for foreign investors in the government bond market and create an opportunity for foreign investors to carry out primary dealer activities in the government bond market.

Secondly, it is necessary to improve the quality of financial and investment instruments, because without them one cannot expect to increase the investment attractiveness of the domestic stock market.

Third, the share of mainly short-term government bonds in the government securities market remains high. On the other hand, there is still a high demand for financial instruments with minimal risk in the national currency in the country.

Fourthly, the development of the government bond market is trending from year to year. The main reasons for this include the fact that the issuance of government bonds is developing on a large scale and government bond instruments are widely used to cover the state budget deficit.

REFERENCES

1. Guseva I.A. Financial markets and institutions. - Moscow: Yurait, 2017. - 348 с.
2. Ershov M.V., Tanasova A.S., Tatuzov V.Yu. Some trends of the global financial system in 2016 // Spatial Economics. - 2017. - № 1. - С. 125 - 136.
3. Securities Market / Edited by N.I. Berezov. - Moscow: Yurait, 2018. - 444 с
4. Bhattacharyay, B. (2011). Bond market development in Asia: An empirical analysis of majordeterminants (ADB Working Paper 300). Tokyo: Asian Development Bank Institute.
2. Dvoreskaya A.E. Resources of the capital market as a source of financing of the real sector of economy// Voprosy ekonomiki, M., -No.11, 2007.-С.93-103.
3. https://api.mf.uz/media/document_files/Final
4. https://api.mf.uz/media/document_files/Final_Капитал_бозори_статистика_1_ярим_йиллик_2022_3_g83rgHT.pdf
5. <http://www.ach.gov.uz/uploads/c043ae40-b240-75c5-61ec-e4d9ecba4d16.pdf>
6. Prepared by the author on the basis of information from the Ministry of Economy and Finance of the Republic of Uzbekistan.