



MINISTRY
FOR NATIONAL ECONOMY

Quarterly Report on Government Security Auctions

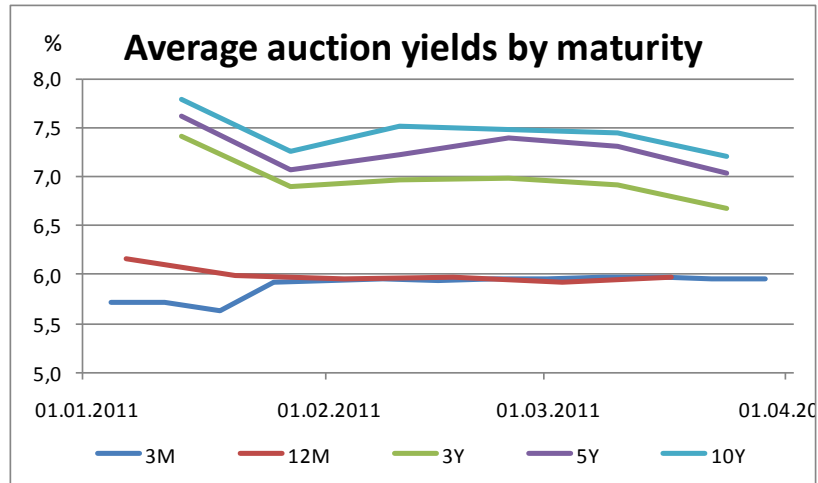
In the first quarter of 2011 the **demand for medium term government securities increased, among which very high demand appeared for the 5-year bonds**, while demand for the 3-month discount treasury bills decreased.

The **average bid-to-cover ratio** of the auctions of short term securities was between 2.5 and 2.6 in the quarter, while that of the bond auctions was very high, between 2.65 and 4.4 (except for the 15-year bond, which had only one auction in the quarter with a coverage ratio of 1.8). The bid-to-cover ratio of the auctions of the 3-month and 15-year maturities slightly decreased, and strongly increased at the auctions of the 1, 3, and 5-year tenors.

The **average auction yields** of bonds were between 6.98 and 7.55%, while the auction yields of discount T-bills were between 5.89 and 6%. The 3-month and 15-year yields increased by 44 and 52 basis points, while yields of the 3 and 10-year maturities slightly decreased during the period.

	Yield						Coverage					
	2010 Q4			2011 Q1			2010 Q4			2011 Q1		
	min	avg	max	min	avg	max	min	avg	max	min	avg	max
3-month T-bill	5.24	5.45	5.81	5.63	5.89	5.98	1.16	2.65	3.44	1.65	2.52	3.85
12-month T-bill	5.72	5.94	6.20	5.93	6.00	6.16	1.61	1.97	2.39	1.84	2.61	3.77
3-year bond	6.38	7.10	7.90	6.68	6.98	7.42	1.58	3.11	5.86	2.89	3.92	5.41
5-year bond	6.51	7.25	7.93	7.03	7.27	7.62	1.86	3.22	5.60	2.37	4.41	6.66
10-year bond	6.66	7.48	8.08	7.20	7.44	7.78	1.39	2.26	3.44	2.06	2.65	3.08
15-year bond	7.03	7.03	7.03	7.55	7.55	7.55	1.94	1.94	1.94	1.80	1.80	1.80

During the quarter T-bill auction yields were stable (after 3 month T-bill yield rise early in January), while **on longer maturities the yields decreased after some volatility**. T-bond yields went down from 7.4-7.8% to 6.7-7.2% during the quarter.



The latest auctions showed strong demand in the medium term segment (mainly 3 and 5 years), where –including the 10-year tenor– yields decreased by 82 to 109 basis points compared to the last auctions in Q4 2010. The yield of the 3-month T-bill on the other hand increased by 21 basis points, and 52 basis point on the 15-year maturity.

Government Securities Auction Results in Q1 2011									
	date of last auction	avg. yield	announced amount (HUF bn)	bids (HUF bn)	accepted (HUF bn)	coverage	last auction in previous period	avg. yield	change in avg. yield
3-month T-bill	29.03.2011	5.95	50	139.9	50	2.80	28.12.2010	5.74	21
12-month T-bill	17.03.2011	5.97	50	117.3	50	2.35	23.12.2010	6.20	-23
3-year bond	24.03.2011	6.68	20	108.1	30	5.41	30.12.2010	7.77	-109
5-year bond	24.03.2011	7.03	15	99.9	20	6.66	30.12.2010	7.91	-88
10-year bond	24.03.2011	7.20	10	30.3	15	3.03	30.12.2010	8.02	-82
15-year bond	24.02.2011	7.55	10	18.0	10	1.80	04.11.2010	7.03	52

The cumulative results of the auctions of this quarter also indicate a strong buying pressure. The total issued amount of government bonds at auctions during the whole period was one and a half times the announced amount.

Government Securities Auctions in Q1 2011						
	announced amount	bids	accepted amount	non-competitive phase	total accepted	<u>accepted</u> announced
3-month T-bill	595	1463	630	0	630	105.88%
12-month T-bill	300	784	320	0	320	106.67%
3-year bond	140	523	185	38	223	159.56%
5-year bond	120	493	146	32	178	148.33%
10-year bond	65	166	80	14	94	144.98%
15-year bond	10	18	10	3	13	131.19%
Total	1230	3447	1371	88	1459	118.60%

Budapest, 11 April 2011.

Ministry for National Economy

Source: National Debt Management Agency