

## March Treasury Auctions: Lower rollover ratio might support yields

The Treasury raised a net TL7.44bn at Tuesday's two auctions ahead of its weekly domestic redemption of TL10.65bn. The Treasury borrowed less than anticipated at those two auctions due to the weak demand while the reopening of the current benchmark (November 2011) saw the yields at 8.95%, in line with its secondary market trade levels. Thus, rollover ratio stood at 70% for the month, lower than its anticipated 85% for March. This leaves a modest amount of cash (around TL3.3bn) to the market, which could reduce the pressure on yields. Moreover, the Treasury plans to continue its monthly borrowing strategy by issuing additional two auctions in March next week: reopening a 4 year FC auctions and opening 182-day discount auction.

Exhibit 1: Monthly auction results

Monthly Auction Results							
Auction Date	Maturity Date	Type/DTM	Net Sales(YTLMn/US\$,€Mn)			Compound Yield	Nominal Bid at Auction (YTLMn/US\$,€Mn)
			Market	Public Sec.	P.D.*		
02-Mar-10	16-Nov-11	TL Discount/ 623 (r-o)	1,322	420	2,229	8.95%	3,869
02-Mar-10	11-Feb-15	TL CPI-index/ 5 year (r-o)	1,522	220	1,725	-	2,540
09-Mar-10	08-Sep-10	TL Discount/ 182	-	-	-	-	-
09-Mar-10	06-Aug-14	TL FC/ 4 year (r-o)	-	-	-	-	-
12-Apr-10	08-Jun-11	TL Discount/ 420					
12-Apr-10	13-Mar-13	TL FC/ 3 year					
13-Apr-10	25-Jan-12	TL Discount/ 651					
13-Apr-10	04-Jan-17	TL FRN/ 7 year					
20-Apr-10	15-Apr-15	TL CPI-index/ 5 year					
04-May-10	25-Jan-12	TL Discount/630 (r-o)					
04-May-10	13-Mar-13	TL FC/ 5 year (r-o)					
11-May-10	03-May-17	TL FRN/ 7 year (r-o)					

Source: The Treasury, Matris

- Fixed income markets on domestic front have relatively managed during the sell-off pressure in the domestic financial markets due to rising political risks. The CBRT continues to fund the markets through open market operations in the liquidity markets. This has been supportive of the domestic demand for the bond markets, especially from the banking sector. The benchmark yields continue to trade below 9.00% despite the upward trend in inflation. Recent reopening of the current benchmark tender has

further supported the yields which have been trading slightly above 8.90%. However, the shape of the yield curve (Figure 3) indicates that market players anticipate higher interest rates in the future as the longer-term bonds have higher yields than the shorter ones.

- The Treasury has announced its monthly domestic debt borrowing strategy for next three months to ease concerns over its hefty redemption program. April and May domestic redemption programs are also heavy with TL16.86bn and TL12.67bn, respectively.

**Exhibit 2: Redemption schedule for March, April and May**

Monthly Redemption (TLMn)						
Date	Payments to the market	Payments to public institutions	Payments to CBT	Total	% Share	
					F/X	YTL
03-Mar-10	9,908	741	0	10,649		
10-Mar-10	2,006	24	0	2,030		
17-Mar-10	53	2	0	55		
31-Mar-10	714	108	0	822		
<b>Total</b>	<b>12,681</b>	<b>875</b>	<b>0</b>	<b>13,556</b>	<b>1%</b>	
07-Apr-10	825	107	0	932		
14-Apr-10	11,518	4,012	0	15,530		
21-Apr-10	280	64	0	344		
28-Apr-10	48	8	0	56		
<b>Total</b>	<b>12,671</b>	<b>4,191</b>	<b>0</b>	<b>16,862</b>	<b>1%</b>	
04-May-10	783	0	0	783		
05-May-10	5,434	223	0	5,657		
10-May-10	0	0	5,466	5,466		
26-May-10	685	81	0	766		
<b>Total</b>	<b>6,902</b>	<b>304</b>	<b>5,466</b>	<b>12,672</b>	<b>1%</b>	

Figure 1: Nominal interest rates

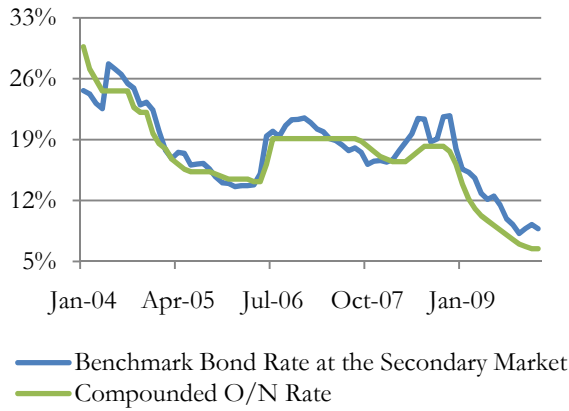
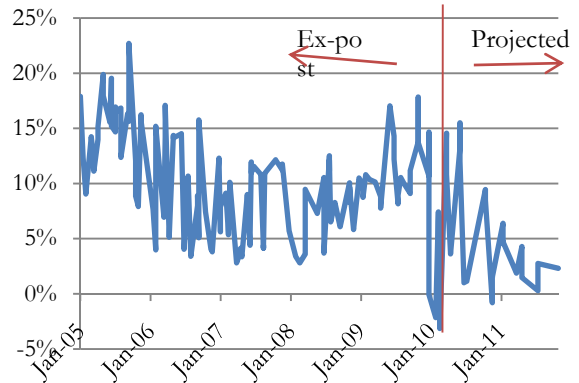
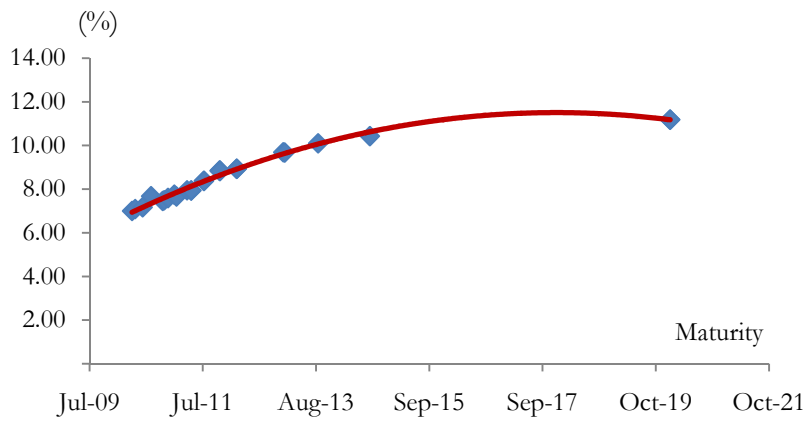


Figure 2: Real interest rates at issue



Sources: The Treasury, Şeker Securities

Figure 3: Yield curve as of February 12, 2010



Sources: The Treasury, Şeker Securities, IMKB

Figure 4: Domestic debt redemption

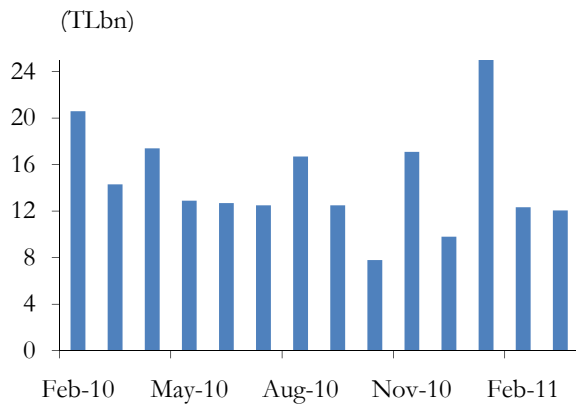
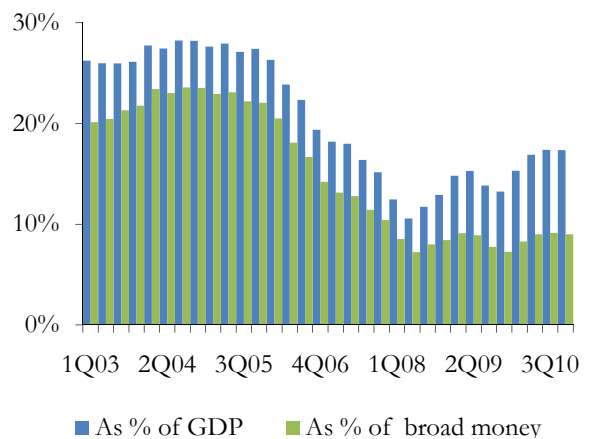


Figure 5: Domestic debt redemption



Sources: The Treasury, Şeker Securities, the CBRT

Figure 6: Domestic debt stock by owner

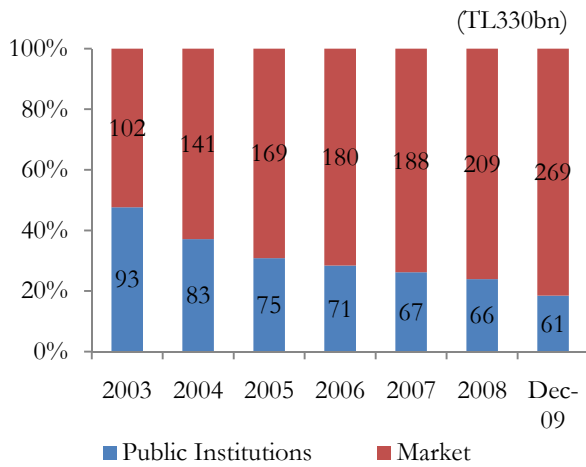
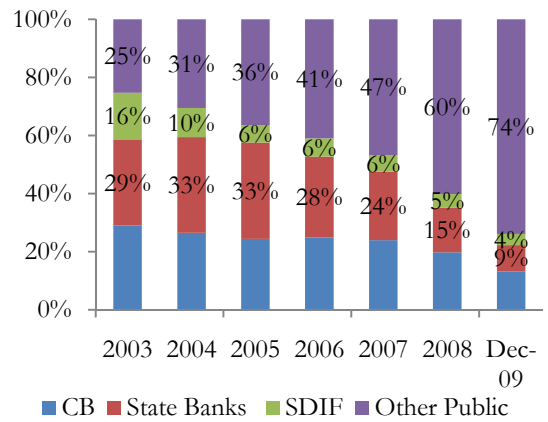


Figure 7: Domestic debt stock by owner



Sources: The Treasury, Şeker Securities

Figure 8: YTL discount bonds( excluding 91-day composition

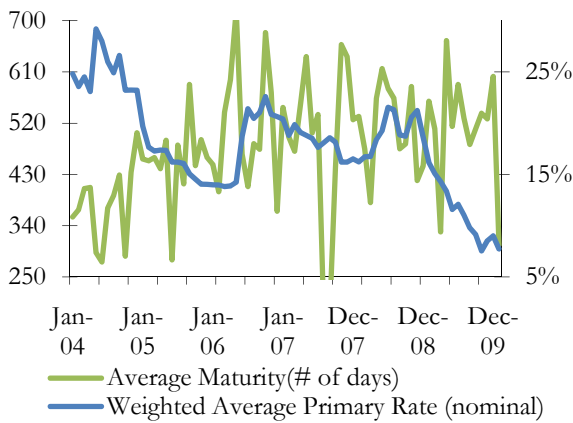
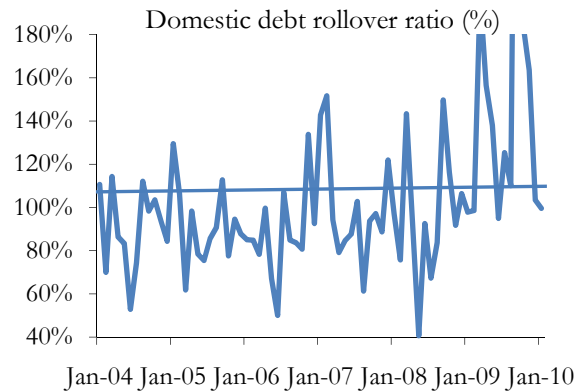


Figure 9: Domestic debt rollover ratio



Sources: The Treasury, Şeker Securities

Figure 10: Domestic debt stock by lender

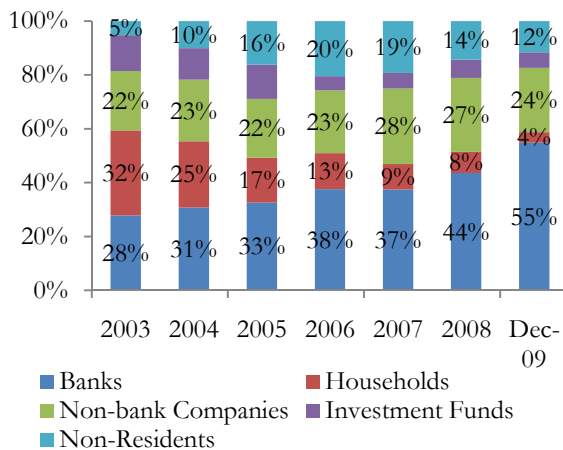
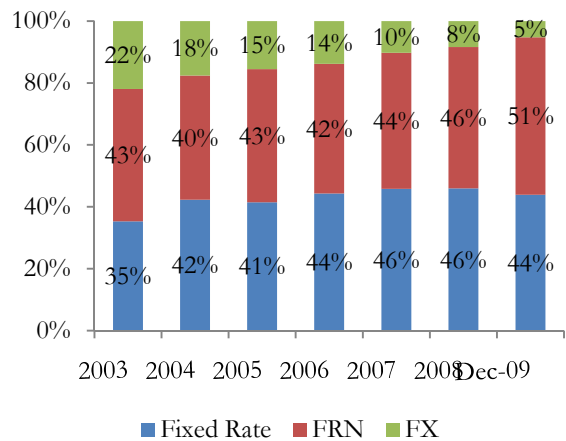


Figure 11: Domestic debt instrument breakdown



Sources: The Treasury, Şeker Securities

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**SELL:** Requires 10% or more downside.

**HOLD:** When estimated relative return is limited between -10% and 15% in either direction.

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