

INTERNAL MARKET OF GOVERNMENT NOTES AND PROBLEMS OF THEIR LIQUIDITY

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Keywords: government notes market, market liquidity, current position, primary dealer, STRIPS (separate trading of registered interest and principal of securities).

The article deals with government notes market as a tool of macroeconomic regulation. Market liquidity as an integral condition of sovereign bonds market efficient functioning is observed. The level of liquidity of government notes market is analyzed; factors that influence negatively on the liquidity are mentioned in the article. Basic activities aimed at the increase in the liquidity of the Russian sovereign bonds market are suggested.

Sovereign bonds market, being the most important source of internal government borrowings, is believed to be an essential financial system part of every economically developed country. By obtaining funds the government pursues a wide range of aims such as: budget gap current financing, earlier borrowings refinancing, operations carrying out on open markets, governmental target programs financing. Moreover, efficient government notes market provides its participants with the possibilities of means investment in highly reliable tools and implements the formation of indices of non-risk interest rates that are essential both for corporate bonds market and other financial market segments and economics in the large.

The high level of liquidity is considered to be an indispensable condition of government market efficient functioning. In case market is not liquid enough, the risks of price volatility increase that can influence negatively on the interest rates level and increase the cost of new borrowings, and also influence on successful money-and-credit policy conduct.

The question of liquidity growth of the Russian government notes market has been discussed by experts for a long time. Nowadays, when the country's economics is involved in the sequels of economic crisis and decrease in the tax proceeds volume, issue of government bonded debts is becoming an important source of budget deficit and the problem of the liquidity increase in the Russian government notes market is considered to be current.

The notion of the market liquidity can be characterize as rather a sufficient and multifarious thing and can't be included into a single precise conception. Further is described the most frequent statement that is used in scientific works and official documents: the market is regarded as a liquid one, on which major bargains are made rapidly and without sizeable loss in price.

Generally accepted and widely used characteristics of liquidity are:

- ◆ depth determines market capacity, i.e. demonstrates possible requests volume, which the market is ready to absorb at the present moment;
- ◆ density characterizes the level of costs connected with the conclusion contract;
- ◆ elasticity reflects the speed of market return after the bargain to its normal condition (spreads size, requests size);
- ◆ immediate character demonstrates the speed of requests implementation on purchase and sale.

The conducted analysis of the governmental notes market liquidity for the period 2003-2007 points at non-sufficient market liquidity, the reasons for which are:

- ◆ narrow investors structure;
- ◆ small market volume;
- ◆ limited activities offer;
- ◆ low level of government notes profitability.

Among the most effective measures that can assist in internal governmental notes market increasing its liquidity are:

- ◆ the revision of government notes profitability and approach towards the level, which exceeds the inflation at least;
- ◆ diversification of investors categories, first of all the creation of favorable conditions for a retail investor;
- ◆ primary dealer institute revival;
- ◆ "STIPS" system development.

Thus, today the creation of government notes liquidity market can be observed in all the developed countries and is reckoned one of the most important development tasks for Russia. On the strength of specific features, inherent to the independent market of obligations, it is necessary to work out specific trends in its development, tools, participants and activities extension, and also wise emission policy is required.

Received for publication on 15.06.2010

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